Deloitte.

Appendix A

Property Cost Study — Proposed Baseball Stadium Site Squares 702 - 706, Southeast Washington, DC

As of February 7, 2005

Audit. Tax. Consulting. Financial Advisory.

Table of Contents

I. Executive Summary

Property Name:	Proposed Baseball Stadium Site ("PBSS")
Property Address:	The privately owned portion of the Proposed Baseball Stadium Site ("Private Property") represents various property addresses, which are identified in the Ballpark Development Project Property Matrix, presented within this analysis.
Property Identification:	The Private Property is comprised of 63 parcels, and 25 ownership entities. The Ballpark Development Project Property Matrix included in this analysis identifies the 33 economic units that comprise the subject property. These represent single or contiguous parcels with a single common ownership entity. Acquisition cost estimates have been provided for each economic unit. Non-contiguous parcels owned by the same entity have each been valued as a separate economic unit.
Property Type:	Predominantly industrial, as well as a small percentage of vacant land and improved residential and commercial uses.
Aggregate Site Area:	Approximately 19 total acres, with 13.83 acres under private ownership. Additional land for the PBSS will come from public rights-of-way and a city-owned parcel at the southeast corner of the PBSS. The additional land is not included in this analysis.
Zoning District:	CG/CR, Mixed Use (Commercial Residential) District within the Capitol Gateway Overlay
Assessor's Parcel Numbers:	The Private Property is comprised of all lots contained within Squares 702-706. Each lot is individually identified in the Property Matrix, presented within this analysis.
Property Ownership:	The Private Property is comprised of 63 lots with 25 ownership entities. The current ownership of each lot is identified in the Property Matrix, presented within this analysis.
Sales History:	Based upon a review of public records, there is no evidence that any of the subject parcels have sold within three years prior to the effective date of our study. However, it is our understanding that Monument Realty LLC recently acquired three of the subject parcels (Square 703, Lots 819, 821 and 822). This could not be confirmed, as the transaction does not yet appear in the

District of Columbia public records. As of 2/23/2005, the Recorder of Deeds was updated through 12/28/2004. No current listings, options, or agreements of sale for the subject parcels were discovered in the course of this study.

Flood Zone Area: According to Community Map No. 110001, Panel 0030B, dated November 15, 1985, the majority of the PBSS appears to fall within Zone C (outside 500-year flood plain). The southeastern boundary of the PBSS appears to fall within the 500-year flood plain. However, these maps do not provide a high level of detail, and further study is recommended given the property's proximity to the Anacostia River.

Effective Date of the Study: February 7, 2005

Date of Property Inspection: February 7, 2005, performed by Neil Axler, Trey Weaver and Laurie Smith. The property was also inspected by James Wright, MAI and John B. Solomon, MAI on various dates.

Date of the Report: This report was prepared in February of 2005, and the date of the report is March 15, 2005.

Property Interest Appraised: Fee Simple Estate, defined in The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, published by the Appraisal Institute, as: *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

Highest and Best Use: Based upon our analysis of comparable sales data, we have concluded that the existing improvements represent an interim use, and the highest and best use will eventually be to demolish the improvements to permit redevelopment. A development horizon of approximately three years is projected, during which the existing improvements provide an interim contribution of value to the underlying land.

Purpose of the Study: To estimate the costs of acquiring the Private Property inclusive of relocation and legal expenses, and to identify alternative soil remediation financing options. The estimated acquisition costs are based in part on the market value of the fee simple interest in the Private Property as of the effective date of our study.

Intended Use of the Study: For planning purposes by the intended user, involving the potential acquisition of the Private Property for construction of a major league baseball stadium. This report is not intended for any other use. Although this study contains many elements of an appraisal as an interim step of the analysis, this report and study may not be relied upon as an appraisal of market value.

Deloitte & Touche LLP is not responsible for unauthorized use of this report.

Intended User of the Study:

The use of this property cost study is restricted to the District of Columbia Office of the Chief Financial Officer, the District of Columbia City Council and the Mayor's Administration. This study is not intended to be relied upon by any other user for any purpose.

Report Format:

Due to the lack of access to many of the Private Properties, lack of access to lease information, and hypothetical conditions and special limiting assumptions required for the appraisal, some of the appropriate valuation methods were omitted or not fully developed. Consequently, this study is based on a limited appraisal. This report is presented in a summary format in accordance with Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). It is also intended to meet the requirements of a Real Property Appraisal Consulting Report, as set forth in Standard Rule 5. As such, it presents sufficient information to enable the intended users, as identified herein, to understand it properly.

Opinion of Value:

The estimated fee simple market value for each economic unit comprising the Private Property is identified in the Ballpark Development Project Property Matrix, presented within this report.

Competency Provision:

The Uniform Standards of Professional Practice's Competency Provision requires that "prior to accepting an assignment or entering into an agreement to perform an assignment an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently." We are thoroughly familiar with and have sufficient experience in analyzing properties similar to the Private Property and its location.

Property Cost Summary:

OVERALL SUMMARY - Land Acquisition Cost Estimate	
Market Value:	$73,682,599
Add: Condemnation/Legal Cost Estimate	2,500,000
Add: Business & Residence Relocation Cost Estimate	950,000
Total Land Acquisition Cost Estimate	$77,132,599
Total Land Acquisition Cost Estimate (Rounded)	**$77,000,000**

II. Special Assumptions and Limiting Conditions

The Private Property has been appraised under certain specific assumptions described within this section.

The following definitions for Extraordinary Assumption and Hypothetical Condition are presented in the Standards of Professional Appraisal Practice of the Appraisal Institute, 2005 Edition:

Extraordinary Assumption: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

> USPAP Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

This property cost study is subject to the following extraordinary assumptions:

1) All information and data provided by either the client or related entity has been relied upon, and is assumed to be accurate. In particular, the Private Property has been identified by the client as consisting of 63 parcels under private ownership, containing a total of 602,612 square feet, or 13.83 acres.

2) It is our understanding that the overall PBSS is to include additional land that is not a part of the subject property. We have assumed that the additional land will be gained from public rights-of-way traversing and surrounding the PBSS, and a federally owned parcel to the south of the site. The District of Columbia is expected to incur minimal expense in the acquisition of the additional land, and it is therefore not included in this analysis. According to the District of Columbia Office of Property Management, the entire site is approximately 19 acres.

3) Due to the circumstances of this engagement, it was not possible to gain access to the interior of most structures on the Private Property. For those properties to which we were unable to gain access, it is assumed that the finish and condition of the building interior is commensurate with the age and condition of the exterior.

4) We were not provided with any leases that may be in place for land or improvements on the Private Property. As a result, a leased fee value estimate could not be provided, despite the possible existence of leases encumbering the Private Property. Additionally, the floor areas of all building improvements were derived from public records, and are assumed to be accurate.

5) The soil stability of the PBSS is not known. No soils tests were made as a direct result of this study. We have assumed that the soil stability of the subject is adequate, and the land acquisition costs estimated in this report assume that no negative factors exist. Based on nearby developments, there is no reason to believe that soil stability problems exist that would render development infeasible.

6) Matters of soil contamination have been researched as a part of this property acquisition cost study. Any cleanup work identified as being necessary will serve to reduce the market value estimates derived herein, provided that the alternative use allowed under current zoning reflects the highest and best considering remediation and demolition costs.

7) In the event that a comparable alternate site within current zoning boundaries in the District is not available to relocate a given business, we have assumed, based on the Client's statements, that the District will work with business operators to find acceptable locations.

Hypothetical Condition: that which is contrary to what exists but is supposed for the purpose of analysis.

USPAP Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

The property cost study is subject to the following <u>hypothetical conditions</u>:

1) The appraisal process produced a market value estimate based on the highest and best use of each economic unit comprising the Private Property without regard to the District's recent announcement of its intention to construct the Proposed Baseball Stadium. This is in conformance with the District's position that "Just compensation for property taken by the government in a condemnation proceeding is the full money equivalent of the property taken. Courts adopt market value as a rough equivalent of value to the owner. For condemnation purposes, just compensation will not take into account any increase in the value of the land because of the public investment in the stadium."

III. General Information

Scope of the Property Cost Study

The scope of this property cost study involved the systematic research and analysis necessary to reasonably estimate the costs to acquire the privately owned portion (the "Private Property") of the Proposed Baseball Stadium Site (the "PBSS"). The property costs include the underlying market value for each of the economic units comprising the Private Property, as well as relocation and legal costs that may be incurred during the course of acquiring the properties for a public use. The initial step involved inspecting each parcel and the surrounding neighborhood in order to gain an understanding of the current and potential uses of the Private Property. After investigating the area regarding economic, political, social and physical factors, research was conducted relevant to the cost analysis process, including gathering financial information, data concerning competitive properties, comparable sales and other market information pertinent to the analysis. This information was reviewed, confirmed and analyzed through the use of the income and sales comparison approaches to value, which are detailed in the appropriate sections of this report. The appraisal process produced a market value estimate based on the highest and best use of each economic unit comprising the Private Property. The market values were estimated without any influence from the District of Columbia's recent announcement of its intention to construct the Proposed Baseball Stadium.

We further researched relevant information on costs to relocate the existing legally operated businesses and related expenses such as legal costs that may be incurred during the acquisition process. Our estimates also include certain condemnation costs or premiums that may be encountered during the property acquisition process. Finally, this report addresses available financing options and grants to consider for the soil remediation costs.

Definition of Market Value

The Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation define market value as:

> *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
>
> 1) *buyer and seller are typically motivated;*
> 2) *both parties are well informed or well advised, and acting in what they consider their own best interests;*
> 3) *a reasonable time is allowed for exposure in the open market;*
> 4) *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

5) *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Marketing and Exposure Period

The PBSS is situated within a transitional neighborhood that has experienced increasing investor and developer interest over the last five to ten years. This interest has been spurred by a variety of factors that will be discussed in the Neighborhood Analysis section. The Private Property was re-zoned in January of 2005, which resulted in a greater variety of permitted uses and a higher maximum density. Therefore, the marketability of this property has improved, which indicates a longer exposure time estimate (retrospective), and a shorter projected marketing time.

Many of the land sales analyzed herein involved properties not actively listed for sale, as buyers frequently approach owners to acquire property in transitional areas such as the subject neighborhood. The available information derived from comparable sales indicated marketing times ranging from several months to several years. The Private Property is comprised of numerous parcels of varying size and development potential. Overall, the subject parcels are expected to experience marketing times of 12 to 24 months. A longer exposure period of approximately 24 to 48 months is estimated, which represents a historical estimate prior to the effective date of value.

IV. Property Description

Description of the Site

According to the District of Columbia's Office of Property Management, the total size of the site is approximately 19 acres. The Private Property is comprised of 63 parcels containing a total of 602,612 square feet or 13.83 acres of land. The aggregate PBSS is bordered by N Street to the north, 1st Street to the east, Potomac Avenue to the south, and South Capitol Street to the west. The site is bisected by Half Street in a north/south direction, and O and P Streets in an east/west direction. The parcels comprising the Private Property range in size from 1,331 square feet to 88,595 square feet, and most are rectangular in shape with average frontage and visibility.

The Private Parcels are generally level and at grade with most adjoining streets. The only exception is South Capitol Street, which has limited access from the PBSS due to its above-grade elevation along the southwest border. Street lights are located throughout the PBSS, with intermittent sidewalks and curbs. Roads, sidewalks, and curbs within the PBSS are generally in poor condition, due in large part to freezing, heavy truck traffic, and poor maintenance

According to Community Map No. 110001, Panel 0030B, dated November 15, 1985, the majority of the PBSS appears to fall within Zone C (outside 500-year flood plain). The southeastern boundary of the PBSS appears to fall within the 500-year flood plain. However, these maps do not provide a high level of detail, and further study is recommended given the property's proximity to the Anacostia River.

Zoning

All of the parcels comprising the Private Property were recently re-zoned "CG/CR, Mixed Use (Commercial Residential) District within the Capitol Gateway Overlay District," effective January 7, 2005. According to the zoning ordinance, the purpose of the CR District is to encourage a diversity of compatible land uses that may include a mixture of residential, office, retail, recreational, light industrial, and other miscellaneous uses. Development requires the approval of a planned unit development, special exception, or other site plan review. In the CR District, the maximum floor area ratio is 6.0, of which at least 3.0 must represent residential uses.

The CG Overlay District does not modify the permitted uses; however, it does modify the definition of "residential uses" to exclude hotel uses. In addition, the Overlay permits a bonus density of 1.0 FAR that may be used only for on-site residential uses.

Based on the current zoning, the maximum permitted commercial development within any given project is 3.0 FAR. The minimum required residential development is 3.0 FAR, with maximum lot occupancy (building footprint) of 75% of site area. Taking into consideration the current zoning requirements, the character and development patterns of the surrounding areas, and the city's desire to promote a mixture of residential and commercial development, it is our opinion that the most likely overall development mix for the Private Property is 4.0 FAR of residential uses and 3.0 FAR of commercial uses.

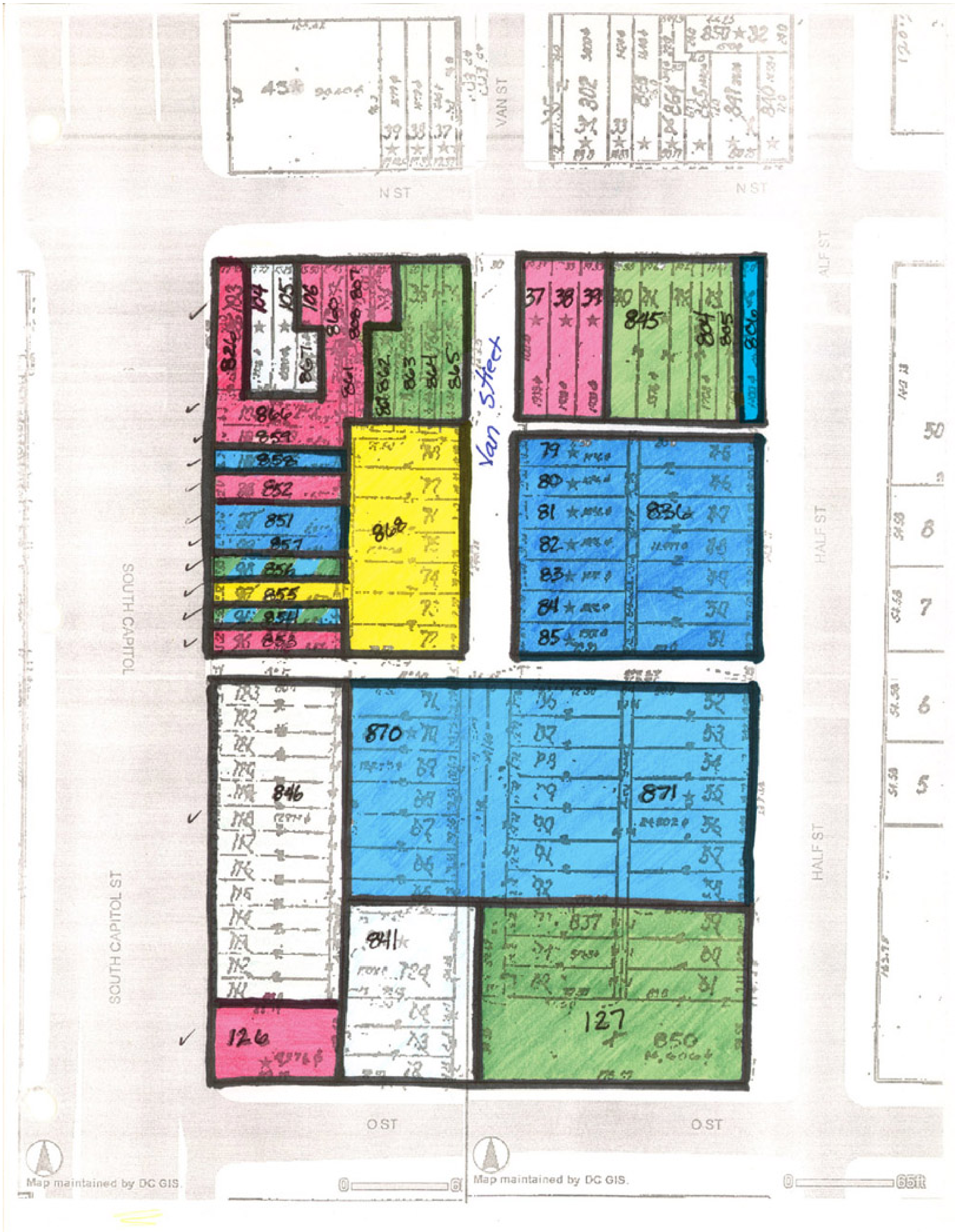
Description of the Improvements

Due to the circumstances of this engagement, it was not possible to gain access to the interior of most structures on the Private Property. Existing improvements on the Private Property are predominantly industrial, comprised primarily of older, single-story masonry buildings. Other improvements include five single-family row houses, a three-story building that appears to include a ground floor garage with offices above, several night clubs, some of which are entertainment oriented businesses, a recycling facility containing two high-bay shell buildings, and an asphalt production plant that consists primarily of equipment, with no significant permanent structures. The Ballpark Development Project Property Matrix included in this report identifies the 33 economic units that comprise the Private Property, including their current improvements. In addition, tax parcel maps outlining each economic unit are also presented. The labeling on the following tax parcel maps are identified by the Square and Lot numbers as opposed to Economic Unit numbers.

District of Columbia Ballpark Development Project
Property Matrix

Unit	Square	Lot	Property Address	Land (SF)	Bldg (SF)	Building Type	Current Use
1	702	106	7 N St SE	8,530		Vacant Land	Vacant Land
	702	807	N St SE				
	702	808	N St SE				
	702	826	1300 South Capitol St SE				
	702	859	South Capitol St SE				
	702	860	9 N St SE				
	702	861	11 N St SE				
	702	866	South Capitol St SE				
	702	869	N St SE				
2	702	126	1352 South Capitol St. SE	4,376	3,639	Office/Street Level Retail	Unknown
3	702	852	South Capitol St SE	1,682		Vacant Land	Vacant Land
4	702	853	South Capitol St SE	1,331		Vacant Land	Vacant Land
5	702	127	1345 Half St SE	20,070	19,867	Industrial	Night Club
6	702	804	31 N St SE	8,857		Vacant Land	Tow Truck Impound Lot
	702	805	N St SE				
	702	845	25-29 N St SE				
7	702	841	20 O St SE	10,001	14,960	Industrial Warehouse	"Bath House Chain"
8	702	846	1342 South Capitol St SE	17,994	2,944	Aamco	Transmission Repair
9	702	851	South Capitol St SE	3,013		Vacant Land	Vacant Land
	702	857	South Capitol St SE				
10	702	858	South Capitol St SE	1,345		Vacant Land	Vacant Land
11	702	854	South Capitol St SE	1,331		Vacant Land	Vacant Land
12	702	856	South Capitol St SE	1,331		Vacant Land	Vacant Land
13	702	855	South Capitol St SE	12,721		Vacant Land	Tow Truck Impound Lot
	702	868	South Capitol St SE				
14	702	37	21 N St SE	5,799	3,500	Single-family Residential & Vacant Land	Single-family Residential & Vacant Land
	702	38					
	702	39					
15	702	104	3 N St SE	3,072		Vacant Land	Vacant Land
	702	105	5 N St SE				
	702	867	N St SE				
16	702	806	Half St SE	1,400		Vacant Land	Vacant Land
17	702	862	13 N St SE	6,371	3,500	Single-family Residential	Single-family Residential
18	702	863	15 N St SE			Single-family Residential	Single-family Residential
19	702	864	17 N St SE			Single-family Residential	Single-family Residential
20	702	865	19 N St SE			Single-family Residential	Single-family Residential
21	702	79	1315 Half St SE	23,088		Vacant Land	Tow Truck Impound Lot or Junkyard
	702	80	1315 Half St SE				
	702	81	1315 Half St SE				
	702	82	1315 Half St SE				
	702	83	1315 Half St SE				
	702	84	1315 Half St SE				
	702	85	1315 Half St SE				
	702	836	1315-1317 Half St SE				
	702	838	1315 Half St SE				
22	702	870	Half St SE	36,752	15,595	Industrial Warehouse w/ Office	Large truck repair shop
	702	871	1331 Half St SE				
23	703	5	1338 Half St SE	9,588	16,591	Industrial Warehouse	Artist Studio
24	703	6	Half St SE	19,176	25,344	Industrial Warehouse	Unknown
	703	7	1326 Half St SE				
25	703	8	1318 Half St SE	9,588	9,340	Industrial Warehouse	Car Repair Shop
26	703	53	60-80 O St SE	67,119		Paved Parking Lot	Paved Parking Lot
27	703	54	1315 1st St SE	53,418	17,329	Industrial Warehouse	Garbage Transition Sub-station
28	703	819	SE	24,651	15,601	Industrial Warehouse	Appears vacant
	703	821	65 N St SE				
	703	822	65 N St SE				
29	704	11	1400-1430 South Capitol St SE	88,595	81,496	Industrial Warehouse	Warehouse/office
30	705	15	60 P St SE	88,100		Asphalt Plant	Asphalt Plant
31	706	802	South Capitol St SE	3,233		Vacant Land	Vacant Land
32	706	806	31-41 P St SE	57,567	28,176	Industrial Warehouse	Warehouse/office
	706	807	24 Potomac Ave SE				
	706	808	South Capitol St SE				
33	706	809	1522 South Capitol St SE	12,513		Vacant Land	Vacant Land

SQUARE 702


N ST
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845
866
868
836
870
871
846
841
837
127
850
126
Map maintained by DC GIS.
Map maintained by DC GIS.

SQUARE 703

Map Output

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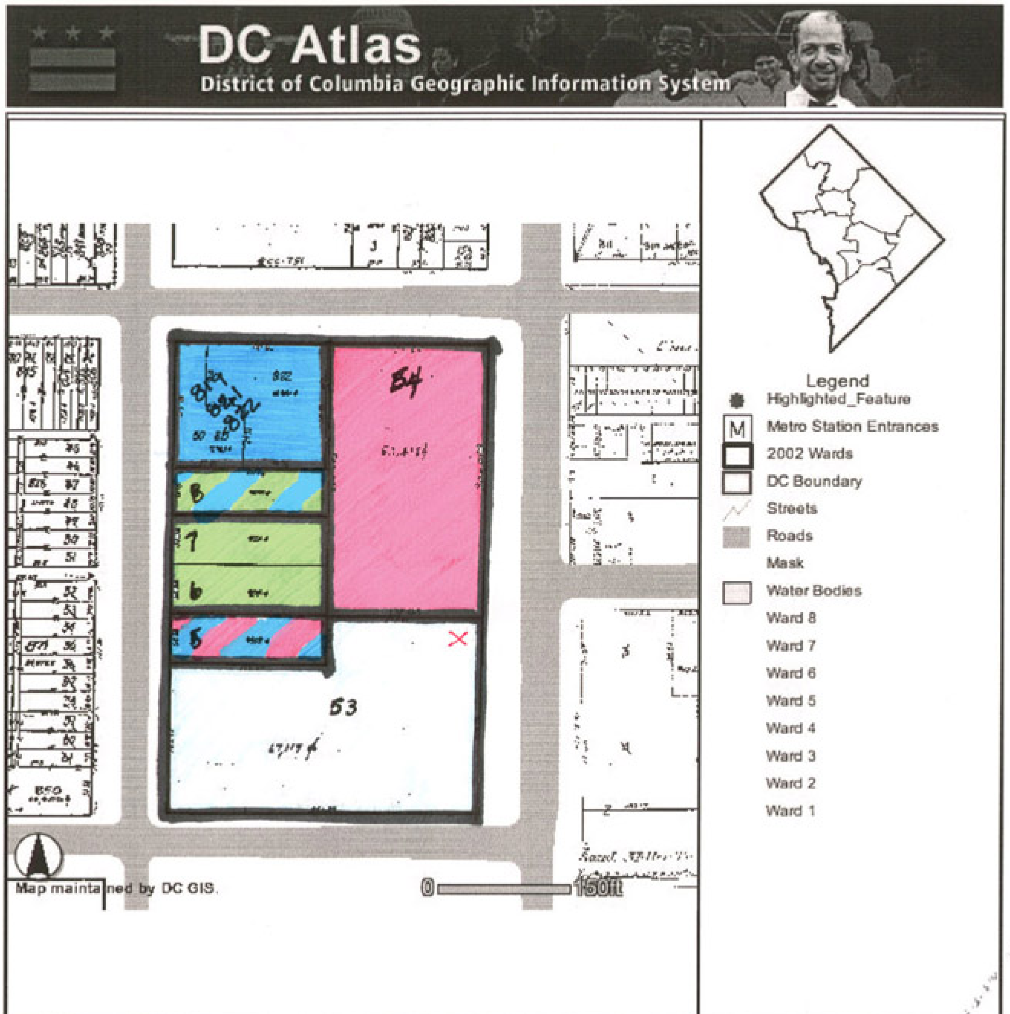

Source: District of Columbia Atlas, Office of Chief Technology Officer.
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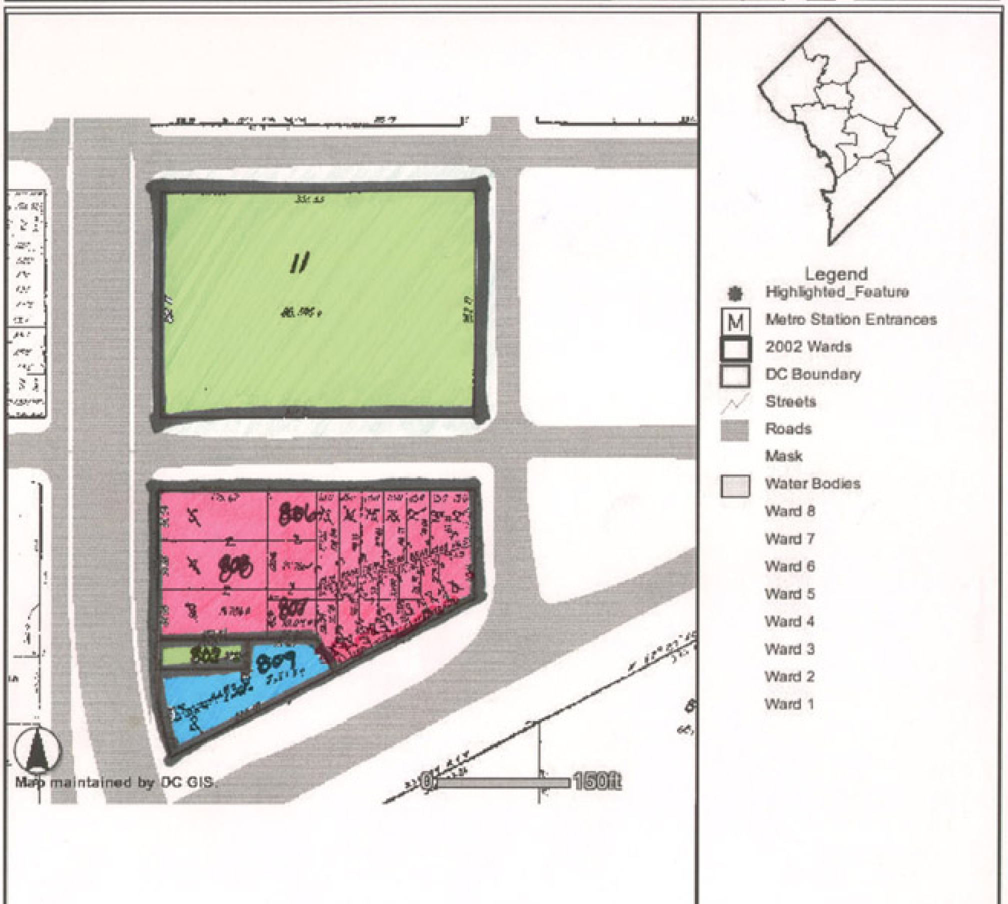
http://dcgis.dc.gov/servlet/com.esri.esrimap.Esrimap?ServiceName=newRealProperty&Cli... 1/28/2005

SQUARES 704 & 706

Map Output

Page 1 of 1

DC Atlas
District of Columbia Geographic Information System



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Source: District of Columbia Atlas, Office of Chief Technology Officer.
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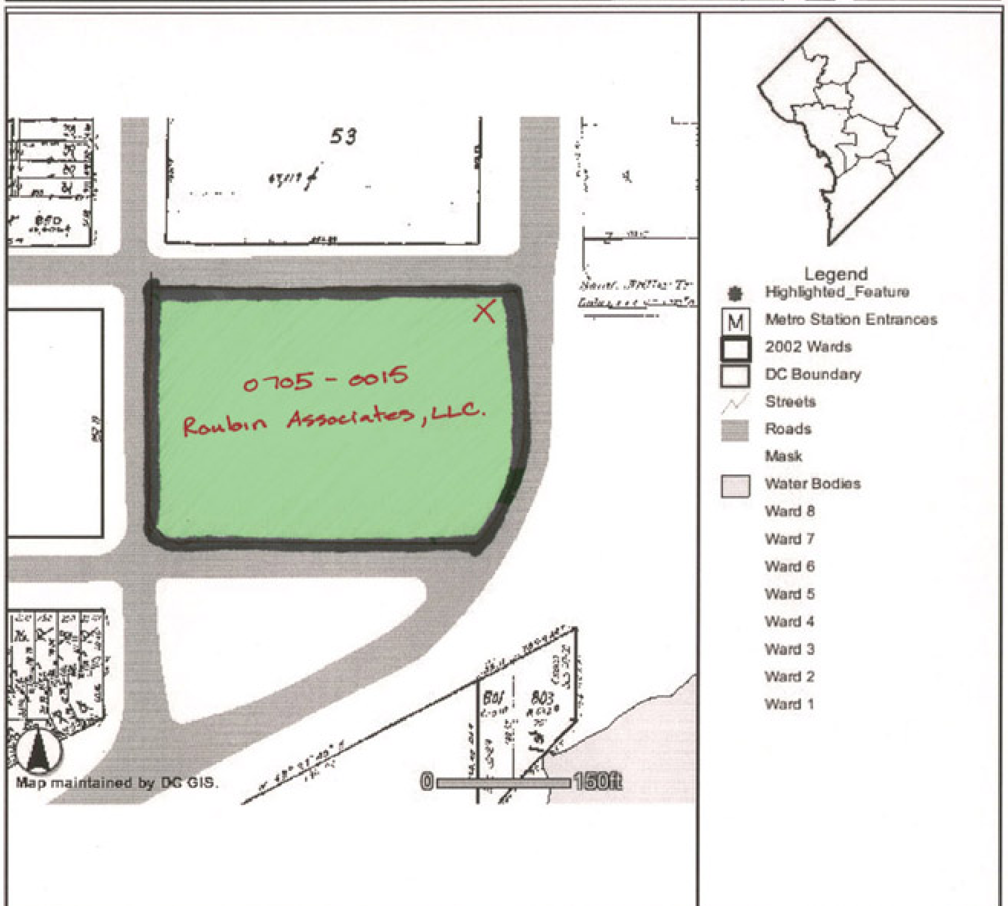
SQUARE 705

Map Output

DC Atlas
District of Columbia Geographic Information System



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Economic Unit #'s 1, 3, 4, 9, 10, 11, 12, 13 & 15

Economic Unit # 2

Economic Unit # 5

Economic Unit #'s 6 & 16

Economic Unit # 7

Economic Unit # 8

Economic Unit # 14

Economic Unit #'s 17, 18, 19, & 20

Economic Unit # 21

Economic Unit # 22

Economic Unit # 23

Economic Unit # 24

Economic Unit # 25

Economic Unit # 27

Economic Unit # 28

Economic Unit #29

Economic Unit # 30

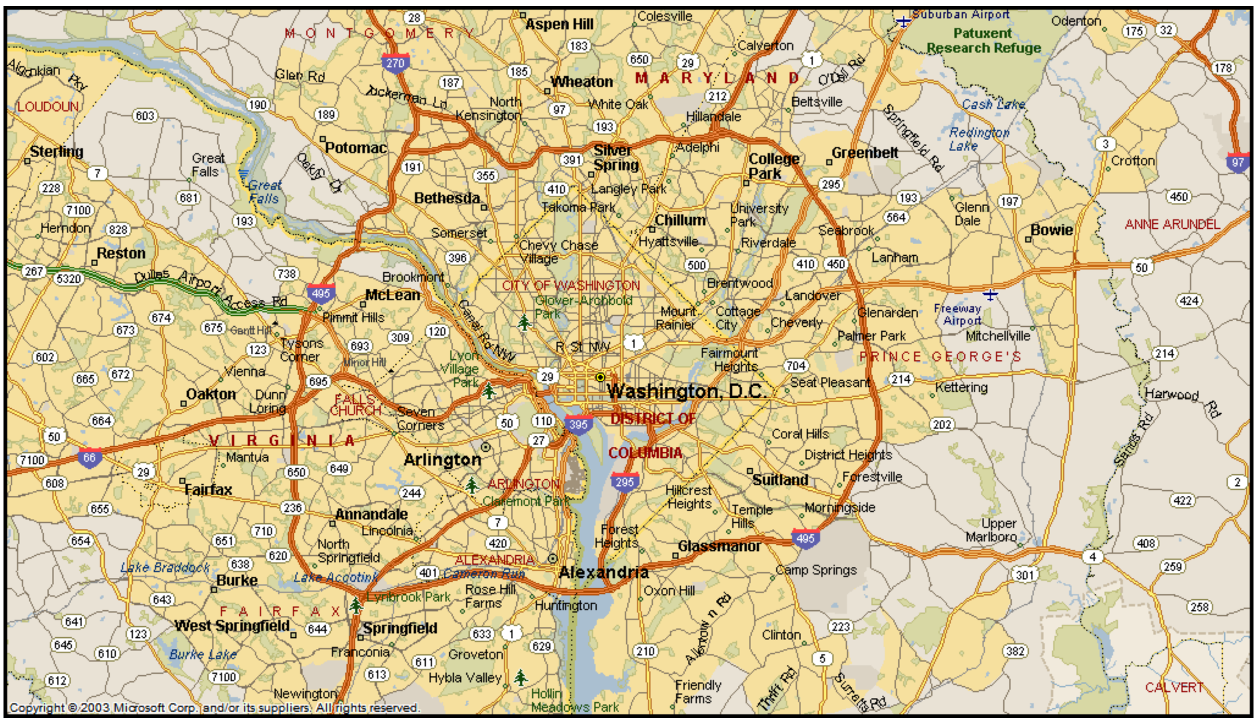
Economic Unit #'s 31 & 33

Economic Unit #32

V. Regional Analysis

INTRODUCTION

This section summarizes our analysis of relevant demographic and economic indicators in the Washington, DC metropolitan area, and is based upon data compiled from various sources such as Economy.com, Claritas, Inc., Reis, Woods & Poole Economics, Inc., and local market participants. The purpose of this analysis is to develop a sense of the present and likely future demographic and economic condition of the region in which the PBSS is located. By studying statistics related to population, households, income, employment, and unemployment, we were able to identify trends that affect real property values in the region and in the District of Columbia. To show the economic strength of the District in a relative context, rates of change in local statistics are compared with regional and national rates. Our understanding of these general trends underlies our analysis of the specific influences on value in the submarket in which the PBSS is located.



GEOGRAPHIC OVERVIEW

The PBSS is centrally located within the Washington, DC Primary Metropolitan Statistical Area (PMSA). In addition to the District of Columbia, the PMSA is comprised of 19 counties located in three states. The Washington, DC PMSA officially includes the following cities and counties:

WASHINGTON, DC PMSA	
District of Columbia	Calvert County, MD
Charles County, MD	Frederick County, MD
Montgomery County, MD	Prince George's County, MD
Arlington County, VA	Clarke County, VA
Culpepper County, VA	Fairfax County, VA
Fauquier County, VA	King George County, VA
Loudoun County, VA	Prince William County, VA
Spotsylvania County, VA	Stafford County, VA
Warren County, VA	Alexandria City, VA
Fairfax City, VA	Falls Church City, VA
Fredericksburg City, VA	Manassas City, VA
Manassas Park City, VA	Berkeley County, WV
Jefferson County, WV	

For the purpose of our analysis, we focused on a more concentrated geographic area that includes the District of Columbia and cities and counties in the states of Maryland (Montgomery County, Prince George's County, Frederick County, Charles County) and Virginia (Alexandria, Arlington County, Fairfax County, Fairfax City, Falls Church, Loudoun County, Prince William County, Manassas Park, city of Manassas, and Fauquier County). The PBSS is located in the District of Columbia.

POPULATION, HOUSEHOLD, AND INCOME TRENDS

Population and household trends, based on observed changes in the number of people and households, as well as their geographic distribution within the region, are important because they are indicative of the demand for real estate. Another factor for real estate demand is regional and local income, which affects the capability in the marketplace to purchase and support real estate.

Total Population

National, regional, and local population statistics from 1990 through 2015 are set out in Table 1. The statistics are compiled by Woods & Poole Economics, Inc. (W&P), a demographic research organization. Patterns can be identified by studying the lower portion of the table, which lists change rates. This is among the most significant of trends.

Table 1
Total Population
Washington, DC Metropolitan Area

Geographic Area	1990 People	1990 % of MSA	2000 People	2000 % of MSA	2005 People	2005 % of MSA	2015 People	2015 % of MSA
U.S. (000's)	249,623	--	282,224	--	297,153	--	327,322	--
Washington, DC Metropolitan Area	3,871,258	84.36	4,457,023	87.17	4,807,936	88.27	5,422,270	89.93
Washington, DC	605,321	15.64	571,641	12.83	563,967	11.73	546,132	10.07
Alexandria City, VA	111,491	2.88	129,229	2.90	133,009	2.77	141,025	2.60
Arlington County, VA	171,164	4.42	189,445	4.25	190,724	3.97	194,582	3.59
Fairfax County, VA (1)	851,111	21.99	1,007,667	22.61	1,087,358	22.62	1,277,524	23.56
Loudoun County, VA	87,208	2.25	173,962	3.90	228,763	4.76	309,538	5.71
Prince William County, VA (2)	251,587	6.50	329,652	7.40	393,998	8.19	505,145	9.32
Fauquier County, VA	48,908	1.26	55,578	1.25	61,669	1.28	70,143	1.29
Montgomery County, MD	765,476	19.77	877,944	19.70	938,793	19.53	1,036,994	19.12
Prince George's County, MD	725,896	18.75	804,021	18.04	849,060	17.66	906,284	16.71
Frederick County, MD	151,345	3.91	196,599	4.41	223,289	4.64	270,109	4.98
Charles County, MD	101,751	2.63	121,285	2.72	137,306	2.86	164,794	3.04

Geographic Area	1990 - 2000 People	1990 - 2000 Comp. Annual %	2000 - 2005 People	2000 - 2005 Comp. Annual %	2000 - 2015 People	2000 - 2015 Comp. Annual %	2005 - 2015 People	2005 - 2015 Comp. Annual %
U.S. (000's)	32,602	1.24	14,929	1.04	45,098	0.99	30,169	0.97
Washington, DC Metropolitan Area	585,765	1.42	350,913	1.53	965,247	1.32	614,334	1.21
Washington, DC	(33,680)	(0.57)	(7,674)	(0.27)	(25,509)	(0.30)	(17,835)	(0.32)
Alexandria City, VA	17,738	1.49	3,780	0.58	11,796	0.58	8,016	0.59
Arlington County, VA	18,281	1.02	1,279	0.13	5,137	0.18	3,858	0.20
Fairfax County, VA (1)	156,556	1.70	79,691	1.53	269,857	1.59	190,166	1.62
Loudoun County, VA	86,754	7.15	54,801	5.63	135,576	3.92	80,775	3.07
Prince William County, VA (2)	78,065	2.74	64,346	3.63	175,493	2.89	111,147	2.52
Fauquier County, VA	6,670	1.29	6,091	2.10	14,565	1.56	8,474	1.30
Montgomery County, MD	112,468	1.38	60,849	1.35	159,050	1.12	98,201	1.00
Prince George's County, MD	78,125	1.03	45,039	1.10	102,263	0.80	57,224	0.65
Frederick County, MD	45,254	2.65	26,690	2.58	73,510	2.14	46,820	1.92
Charles County, MD	19,534	1.77	16,021	2.51	43,509	2.06	27,488	1.84

(1) Includes the cities of Fairfax City, VA and Falls Church, VA
(2) Includes the cities of Mannassas Park, VA and Manassas, VA
Source: Woods & Poole Economics, Inc.; compiled by New Market Real Estate Group

In 2005 there were 563,967 people forecasted to be living in Washington, DC. Since 1990, overall population in Washington has declined. Within the overall metropolitan area, however, population increased at a compound annual rate of 1.42% from 1990 through 2000, and is estimated to grow at 1.53% from 2000 through 2005. By comparison, population in Washington, DC decreased at 0.57% and 0.27%, respectively.

While the population in the metropolitan area, as well as the nation, is expected to continue to increase through 2015, the compound annual rates of increase will decline to 0.97% and 1.21%, respectively, from 2005 to 2015. By comparison, the population in Washington, DC is expected to continue decreasing at a 0.32% rate. Population is expected to decrease to 546,132 people in 2015.

Population by Age

As shown in Table 2, the median age in Washington, DC of 35.2 years is 0.6 years younger than that of the overall metropolitan area (35.8 years), and 0.8 years younger than that of the nation (36.1 years). The largest population segments within Washington, DC (excluding 24 years of age or younger) is the 25 to 34 years of age category (18.58%). In the metropolitan area, the largest segment is the 35 to 44 years of age category (17.16%). Overall, Washington, DC is toward the low end of the range for median age within the metropolitan area.

Table 2
2004 Population By Age
Washington, DC Metropolitan Area

Geographic Area	0-24	25-34	35-44	45-54	55-64	65 +	Median Age
U.S.	34.85%	13.65%	15.07%	14.20%	9.93%	12.31%	36.1
Washington, DC Metropolitan Area	33.68%	14.90%	17.16%	14.85%	10.15%	9.26%	35.8
Washington, DC	31.05%	18.58%	15.30%	13.23%	10.07%	11.77%	35.2
Alexandria City, VA	24.54%	21.81%	20.42%	13.84%	9.94%	9.46%	36.5
Arlington County, VA	23.96%	23.22%	19.42%	14.17%	10.20%	9.03%	36.2
Fairfax County, VA (1)	32.85%	13.42%	17.12%	16.25%	11.50%	8.85%	37.4
Loudoun County, VA	37.10%	15.48%	20.14%	13.62%	7.93%	5.73%	33.7
Prince William County, VA (2)	39.51%	15.70%	17.63%	13.58%	8.12%	5.46%	31.9
Fauquier County, VA	33.75%	11.10%	16.67%	16.18%	11.81%	10.49%	38.6
Montgomery County, MD	32.52%	12.91%	16.81%	15.74%	10.54%	11.47%	37.9
Prince George's County, MD	36.85%	14.29%	16.63%	14.27%	9.67%	8.28%	34.3
Frederick County, MD	35.78%	12.34%	17.58%	15.02%	9.65%	9.64%	36.2
Charles County, MD	36.61%	12.64%	18.00%	14.64%	9.85%	8.26%	35.5

(1) Includes the cities of Fairfax City, VA and Falls Church, VA
(2) Includes the cities of Mannassas Park, VA and Manassas, VA
Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

Total Households

The number and distribution of households in the Washington, DC metropolitan area is the second determinant of real estate demand to be considered. Statistics and change rates are shown in Table 3.

The number of households in Washington, DC is forecast to be 251,436 in 2005, which comprised 13.66% of the total households in the metropolitan area. Since 1990, the overall number of households in Washington, DC has decreased. From 1990 to 2000, households in Washington, DC decreased annually at 0.04%, while the number in the metropolitan area increased at 1.52% annually, and the continental United States increased at 1.38% annually.

Table 3
Total Households
Washington, DC Metropolitan Area

Geographic Area	1990 House-holds	1990 % of MSA	2000 House-holds	2000 % of MSA	2005 House-holds	2005 % of MSA	2015 House-holds	2015 % of MSA
U.S. (000's)	92,315	--	105,855	--	113,086	--	126,923	--
Washington, DC Metropolitan Area	1,444,901	100.00	1,680,618	100.00	1,840,205	100.00	2,116,710	100.00
Washington, DC	249,530	17.27	248,573	14.79	251,436	13.66	254,774	12.04
Alexandria City, VA	53,619	3.71	62,304	3.71	65,175	3.54	70,385	3.33
Arlington County, VA	79,037	5.47	86,275	5.13	88,064	4.79	90,843	4.29
Fairfax County, VA (1)	305,329	21.13	365,207	21.73	401,401	21.81	482,400	22.79
Loudoun County, VA	30,627	2.12	61,404	3.65	82,192	4.47	113,455	5.36
Prince William County, VA (2)	81,766	5.66	110,743	6.59	135,558	7.37	179,734	8.49
Fauquier County, VA	16,568	1.15	20,021	1.19	22,831	1.24	27,109	1.28
Montgomery County, MD	283,434	19.62	326,163	19.41	354,473	19.26	399,589	18.88
Prince George's County, MD	259,145	17.94	287,401	17.10	308,372	16.76	335,604	15.85
Frederick County, MD	52,787	3.65	70,557	4.20	82,127	4.46	102,787	4.86
Charles County, MD	33,059	2.29	41,970	2.50	48,576	2.64	60,030	2.84

Geographic Area	1990 - 2000 House-holds	1990 - 2000 Comp. Annual %	2000 - 2005 House-holds	2000 - 2005 Comp. Annual %	2000 - 2015 House-holds	2000 - 2015 Comp. Annual %	2005 - 2015 House-holds	2005 - 2015 Comp. Annual %
U.S. (000's)	13,539	1.38	7,231	1.33	21,068	1.22	13,836	1.16
Washington, DC Metropolitan Area	235,717	1.52	159,587	1.83	436,092	1.55	276,505	1.41
Washington, DC	(957)	(0.04)	2,863	0.23	6,201	0.16	3,338	0.13
Alexandria City, VA	8,685	1.51	2,871	0.91	8,081	0.82	5,210	0.77
Arlington County, VA	7,238	0.88	1,789	0.41	4,568	0.34	2,779	0.31
Fairfax County, VA (1)	59,878	1.81	36,194	1.91	117,193	1.87	80,999	1.86
Loudoun County, VA	30,777	7.20	20,788	6.01	52,051	4.18	31,263	3.28
Prince William County, VA (2)	28,977	3.08	24,815	4.13	68,991	3.28	44,176	2.86
Fauquier County, VA	3,453	1.91	2,810	2.66	7,088	2.04	4,278	1.73
Montgomery County, MD	42,729	1.41	28,310	1.68	73,426	1.36	45,116	1.21
Prince George's County, MD	28,256	1.04	20,971	1.42	48,203	1.04	27,232	0.85
Frederick County, MD	17,770	2.94	11,570	3.08	32,230	2.54	20,660	2.27
Charles County, MD	8,911	2.42	6,606	2.97	18,060	2.41	11,454	2.14

(1) Includes the cities of Fairfax City, VA and Falls Church, VA
(2) Includes the cities of Mannassas Park, VA and Manassas, VA
Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

From 2000 through 2005, the number of households in Washington, DC was forecast to increase at a compound annual rate of 0.23%. The compound annual rate of growth over this period was 1.83% for the metropolitan area, and 1.33% for the continental United States.

Total households in the United States are expected to increase through the year 2015; however, the rate of increase is expected to decline to 1.16% from 2005 to 2015. Within Washington, DC, the number of households is forecast to increase 0.13% annually, while the number within the metropolitan area is forecast to increase 1.41% annually. Thus, the overall metropolitan area is expected to grow at a steady rate, while the trend of decreasing households in Washington, DC is projected to reverse following several years of decline.

Households by Income

As shown in Table 4, annual household income in Washington, DC is more heavily weighted toward middle-income levels, similar to that of the nation, and lower than that of the metropolitan area. Within Washington, DC, 36.83% of households have annual incomes below $29,999. By comparison, 18.14% of the households in the metropolitan area and 33.30% of those in the nation have annual incomes below $29,999. Within Washington, DC, the income group making up the largest proportion of households (28.03%) had incomes between $30,000 and $59,999. This is similar to that of the nation (32.10%), and the metropolitan area as a whole (26.28%). Within the metropolitan area, the income group making up the largest proportion of households (27.83%) had annual incomes between $60,000 and $99,999.

Table 4
2004 Households By Income
Washington, DC Metropolitan Area

Geographic Area	Under $10,000	$10,000 to $29,999	$30,000 to $59,999	$60,000 to $99,999	$100,000 to $124,999	$125,000 to $149,999	$150,000 and Greater
U.S.	9.00%	24.29%	32.10%	21.68%	5.48%	2.65%	4.80%
Washington, DC Metropolitan Area	5.06%	13.08%	26.28%	27.83%	10.38%	6.16%	11.21%
Washington, DC	14.31%	22.52%	28.03%	18.13%	5.62%	3.07%	8.33%
Alexandria City, VA	5.15%	14.67%	30.18%	26.47%	8.05%	5.02%	10.46%
Arlington County, VA	4.97%	12.57%	27.32%	27.23%	9.60%	6.49%	11.82%
Fairfax County, VA (1)	2.49%	8.23%	21.09%	28.59%	13.31%	8.87%	17.42%
Loudoun County, VA	2.06%	7.96%	21.25%	33.30%	14.19%	8.56%	12.68%
Prince William County, VA (2)	2.59%	11.35%	29.05%	33.33%	11.54%	5.54%	6.60%
Fauquier County, VA	4.68%	13.87%	28.16%	29.18%	10.49%	4.93%	8.68%
Montgomery County, MD	3.49%	10.83%	23.89%	27.35%	11.15%	7.35%	15.95%
Prince George's County, MD	4.89%	15.57%	31.66%	30.05%	8.99%	4.36%	4.47%
Frederick County, MD	3.84%	15.02%	29.72%	32.01%	9.41%	4.44%	5.56%
Charles County, MD	4.19%	12.31%	29.76%	32.97%	11.30%	5.10%	4.36%

(1) Includes the cities of Fairfax City, VA and Falls Church, VA
(2) Includes the cities of Mannassas Park, VA and Manassas, VA
Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

Average Household Income

Washington, DC's average household income is forecast to be $94,811 in 2005, as estimated by W&P (see Table 5). This is lower than that of the metropolitan area ($124,621), but greater than that of the nation ($87,800). Washington, DC's average household income is forecast to increase to $123,655 by 2015, indicating a compound annual rate of increase of 2.69%.

Average household income for the metropolitan area is projected to be $171,256 by 2015, increasing at a compound annual rate of 3.23% from 2005 to 2015. Over the same period, the average household income in the nation is projected to increase to $121,252, increasing at a compound annual rate of 3.28%. While the rate of average household income growth in Washington, DC will continue to be below that of the metropolitan area and the nation, this figure will continue to exceed the national average. Although the gap is closing, the average household income in Washington, DC is estimated to be 107.99% of the national average in 2005. By 2015, it is forecast to be 101.98% of the national average.

Table 5
Average Household Income
Washington, DC Metropolitan Area

Geographic Area	1990 Average Household Income	1990 % of USA	2000 Average Household Income	2000 % of USA	2005 Average Household Income	2005 % of USA	2015 Average Household Income	2015 % of USA
U.S.	$51,782	--	$77,588	--	$87,800	--	$121,252	--
Washington, DC Metropolitan Area	72,463	139.94	109,499	141.13	124,621	141.94	171,256	141.24
Washington, DC	60,901	117.61	87,359	112.59	94,811	107.99	123,655	101.98
Alexandria City, VA	64,819	125.18	99,268	127.94	115,274	131.29	161,407	133.12
Arlington County, VA	67,373	130.11	107,185	138.15	122,396	139.40	171,408	141.37
Fairfax County, VA (1)	85,883	165.85	141,140	181.91	166,335	189.45	235,119	193.91
Loudoun County, VA	72,421	139.86	110,206	142.04	117,541	133.87	158,271	130.53
Prince William County, VA (2)	64,670	124.89	90,378	116.48	99,468	113.29	130,669	107.77
Fauquier County, VA	73,054	141.08	104,547	134.75	112,680	128.34	149,782	123.53
Montgomery County, MD	87,221	168.44	131,039	168.89	149,993	170.83	203,892	168.16
Prince George's County, MD	61,273	118.33	83,411	107.51	94,591	107.73	129,081	106.46
Frederick County, MD	57,519	111.08	87,835	113.21	95,620	108.91	125,719	103.68
Charles County, MD	64,437	124.44	84,687	109.15	93,087	106.02	123,659	101.99

Geographic Area	1990 - 2000 Amount	1990 - 2000 Comp. Annual %	2000 - 2005 Amount	2000 - 2005 Comp. Annual %	2000 - 2015 Amount	2000 - 2015 Comp. Annual %	2005 - 2015 Amount	2005 - 2015 Comp. Annual %
U.S.	$25,806	4.13	$10,212	2.50	$43,664	3.02	$33,452	3.28
Washington, DC Metropolitan Area	37,035	4.21	15,122	2.62	61,757	3.03	46,635	3.23
Washington, DC	26,458	3.67	7,452	1.65	36,296	2.34	28,844	2.69
Alexandria City, VA	34,449	4.35	16,006	3.03	62,139	3.29	46,133	3.42
Arlington County, VA	39,812	4.75	15,211	2.69	64,223	3.18	49,012	3.43
Fairfax County, VA (1)	55,257	5.09	25,195	3.34	93,979	3.46	68,784	3.52
Loudoun County, VA	37,785	4.29	7,335	1.30	48,065	2.44	40,730	3.02
Prince William County, VA (2)	25,708	3.40	9,090	1.94	40,291	2.49	31,201	2.77
Fauquier County, VA	31,493	3.65	8,133	1.51	45,235	2.43	37,102	2.89
Montgomery County, MD	43,818	4.15	18,954	2.74	72,853	2.99	53,899	3.12
Prince George's County, MD	22,138	3.13	11,180	2.55	45,670	2.95	34,490	3.16
Frederick County, MD	30,316	4.32	7,785	1.71	37,884	2.42	30,099	2.77
Charles County, MD	20,250	2.77	8,400	1.91	38,972	2.56	30,572	2.88

(1) Includes the cities of Fairfax City, VA and Falls Church, VA
(2) Includes the cities of Mannassas Park, VA and Manassas, VA
Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

EMPLOYMENT BASE AND UNEMPLOYMENT TRENDS

Nonagricultural employment is a key factor influencing a region's economic condition. A stable, diversified employment base helps to maintain the value of real estate in a market area.

Employment Base

The employment base of the Washington, DC metropolitan area is shown in Table 6. The industries forecast to employ the highest percentages of workers as of 2005 are: services (43.56%), government (19.75%), and wholesale and retail trade (15.74%).

From 1990 to 2000, nonagricultural employment in the MSA increased by 405,408 jobs, a compound annual rate of 1.36%. Decreases were recorded in government (-54,280 jobs), manufacturing (-3,170 jobs), and mining (-1,311 jobs).

Table 6
Distribution of Employment
Washington, DC Metropolitan Area

Industry	1990 MSA Number	1990 MSA %	1990 USA %	2000 MSA Number	2000 MSA %	2000 USA %	2005 MSA Number	2005 MSA %	2005 USA %	2015 MSA Number	2015 MSA %	2015 USA %
Manufacturing	95,009	3.38	14.61	91,839	2.86	11.79	96,568	2.81	10.87	104,942	2.68	9.76
Nonmanufacturing												
Mining	3,946	0.14	0.77	2,635	0.08	0.48	2,426	0.07	0.46	2,640	0.07	0.44
Construction	167,445	5.96	5.39	182,748	5.68	5.88	200,555	5.84	5.92	226,167	5.78	5.93
Transportation, communication & utilities	121,373	4.32	4.87	152,452	4.74	5.10	168,663	4.91	5.13	198,702	5.08	5.11
Wholesale & retail trade	482,509	17.17	21.98	519,190	16.15	21.58	540,409	15.74	21.19	601,625	15.37	20.74
Finance, insurance & real estate	226,710	8.07	7.95	238,835	7.43	8.15	251,211	7.32	8.27	272,803	6.97	8.16
Services	1,000,856	35.61	28.71	1,369,837	42.60	32.98	1,495,480	43.56	33.95	1,793,302	45.83	35.96
Government	712,416	25.35	15.72	658,136	20.47	14.03	677,949	19.75	14.21	713,168	18.22	13.90
Total nonagricultural wage & salary employment	2,810,264	100.00	100.00	3,215,672	100.00	100.00	3,433,261	100.00	100.00	3,913,349	100.00	100.00

Industry	1990 - 2000 MSA Number	1990 - 2000 MSA Comp. Annual %	1990 - 2000 USA Comp. Annual %	2000 - 2005 MSA Number	2000 - 2005 MSA Comp. Annual %	2000 - 2005 USA Comp. Annual %	2000 - 2015 MSA Number	2000 - 2015 MSA Comp. Annual %	2000 - 2015 USA Comp. Annual %	2005 - 2015 MSA Number	2005 - 2015 MSA Comp. Annual %	2005 - 2015 USA Comp. Annual %
Manufacturing	(3,170)	(0.34)	(0.30)	4,729	1.01	(0.58)	13,103	0.89	(0.08)	8,374	0.84	0.17
Nonmanufacturing												
Mining	(1,311)	(3.96)	(2.85)	(209)	(1.64)	0.08	5	0.01	0.59	214	0.85	0.85
Construction	15,303	0.88	2.75	17,807	1.88	1.19	43,419	1.43	1.25	25,612	1.21	1.27
Transportation, communication & utilities	31,079	2.31	2.32	16,211	2.04	1.19	46,250	1.78	1.21	30,039	1.65	1.21
Wholesale & retail trade	36,681	0.74	1.67	21,219	0.80	0.69	82,435	0.99	0.92	61,216	1.08	1.03
Finance, insurance & real estate	12,125	0.52	2.12	12,376	1.02	1.35	33,968	0.89	1.19	21,592	0.83	1.11
Services	368,981	3.19	3.28	125,643	1.77	1.64	423,465	1.81	1.77	297,822	1.83	1.84
Government	(54,280)	(0.79)	0.71	19,813	0.59	1.30	55,032	0.54	1.12	35,219	0.51	1.03
Total nonagricultural wage & salary employment	405,408	1.36	1.86	217,589	1.32	1.05	697,677	1.32	1.19	480,088	1.32	1.25

Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

From 2000 to 2005, nonagricultural employment in the MSA is forecast to increase by 217,589 jobs, at a compound annual rate of 1.32%. Increases were recorded in all industries with the exception of mining (-209 jobs), as the local economy was healthy during the early 2000s.

From 2005 to 2015, the nonagricultural employment base in the MSA is projected to increase by 480,088 jobs (a 1.32% compound annual rate). All industries are forecast to increase in employment over this period. This rate of increase compares slightly favorably with the national average increase of 1.25%.

District of Columbia

Employment in Washington, DC is forecast to account for 22.32% of total MSA employment in 2005 (see Table 7). From 1990 to 2000, Washington, DC recorded a negative compound annual rate of growth of -0.34%. Increases were recorded in only the services sector (51,105 jobs) during the 1990s. All other sectors recorded decreases, with the most significant being government (-54,189 jobs) and wholesale and retail trade (-9,390 jobs). The estimated employment growth rate for 2000 to 2005 is a compound annual increase of 0.29%.

From 2005 to 2015, the nonagricultural employment base in Washington, DC is projected to increase by 26,488 jobs, a 0.34% compound annual growth rate. While the majority of job increases are due to the forecast increase in service jobs, those industries expected to decline include manufacturing, transportation, communication, and utilities, wholesale retail and trade, and finance, insurance and real estate.

Major Employers

Excluding government employees, the largest employers in Washington, DC Metropolitan area are indicated in Table 8.

Table 7
Distribution of Employment
Washington, DC

Industry	1990 County Number	1990 County %	1990 USA %	2000 County Number	2000 County %	2000 USA %	2005 County Number	2005 County %	2005 USA %	2015 County Number	2015 County %	2015 USA %
Manufacturing	16,510	2.11	14.61	12,831	1.70	11.79	11,798	1.54	10.87	11,428	1.44	9.76
Nonmanufacturing:												
Mining	526	0.07	0.77	238	0.03	0.48	200	0.03	0.46	208	0.03	0.44
Construction	16,066	2.06	5.39	13,297	1.76	5.88	13,906	1.81	5.92	14,063	1.77	5.93
Transportation, communication & utilities	24,676	3.16	4.87	21,940	2.90	5.10	20,963	2.74	5.13	17,396	2.19	5.11
Wholesale & retail trade	66,746	8.54	21.98	57,356	7.59	21.58	57,604	7.52	21.19	56,165	7.08	20.74
Finance, insurance & real estate	47,491	6.08	7.95	43,495	5.76	8.15	43,877	5.73	8.27	43,562	5.49	8.16
Services	307,811	39.39	28.71	358,916	47.51	32.98	370,582	48.36	33.95	399,202	50.35	35.96
Government	301,536	38.59	15.72	247,347	32.74	14.03	247,387	32.28	14.21	250,781	31.63	13.90
Total nonagricultural wage & salary employment	781,362	100.00	100.00	755,420	100.00	100.00	766,317	100.00	100.00	792,805	100.00	100.00

Industry	1990 - 2000 County Number	1990 - 2000 County Comp. Annual %	1990 - 2000 USA Comp. Annual %	2000 - 2005 County Number	2000 - 2005 County Comp. Annual %	2000 - 2005 USA Comp. Annual %	2000 - 2015 County Number	2000 - 2015 County Comp. Annual %	2000 - 2015 USA Comp. Annual %	2005 - 2015 County Number	2005 - 2015 County Comp. Annual %	2005 - 2015 USA Comp. Annual %
Manufacturing	(3,679)	(2.49)	(0.30)	(1,033)	(1.66)	(0.58)	(1,403)	(0.77)	(0.08)	(370)	(0.32)	0.17
Nonmanufacturing:												
Mining	(288)	(7.62)	(2.85)	(38)	(3.42)	0.08	(30)	(0.89)	0.59	8	0.39	0.85
Construction	(2,769)	(1.87)	2.75	609	0.90	1.19	766	0.37	1.25	157	0.11	1.27
Transportation, communication & utilities	(2,736)	(1.17)	2.32	(977)	(0.91)	1.19	(4,544)	(1.54)	1.21	(3,567)	(1.85)	1.21
Wholesale & retail trade	(9,390)	(1.50)	1.67	248	0.09	0.69	(1,191)	(0.14)	0.92	(1,439)	(0.25)	1.03
Finance, insurance & real estate	(3,996)	(0.88)	2.12	382	0.18	1.35	67	0.01	1.19	(315)	(0.07)	1.11
Services	51,105	1.55	3.28	11,666	0.64	1.64	40,286	0.71	1.77	28,620	0.75	1.84
Government	(54,189)	(1.96)	0.71	40	0.00	1.30	3,434	0.09	1.12	3,394	0.14	1.03
Total nonagricultural wage & salary employment	(25,942)	(0.34)	1.86	10,897	0.29	1.05	37,385	0.32	1.19	26,488	0.34	1.25

Source: Woods & Poole Economics, Inc..; compiled by New Market Real Estate Group

Table 8
Largest Employers
Washington, DC

Employer
George Washington University
Howard University
Washington Hospital Center
Georgetown University Hospital
Georgetown University
Fannie Mae
Children's National Medical Center
Howard University Hospital
American University
Providence Hospital
Washington Post Newspaper
Marriott Hotel Services
Potomac Electric Power Company
UNICCO Service Company
Catholic University of America
Blue Cross & Blue Shield of the National Capital Area
Greater Southeast Healthcare Systems
Sibley Memorial Hospital
George Washington University Hospital
MGMC, LLC

Source: D.C. Department of Employment Services, Office of Labor Market Research and Information, June 2003; compiled by New Market Real Estate Group

Employment Sectors

Washington, DC's greatest competitive advantage is its unique role as the nation's capital. For years, Washington was dubbed a "recession proof" city, the argument being that it is insulated from the full effect of economic ups and downs by the stabilizing influence of the Federal government as the area's largest employer. From the 1950s through the 1980s, the size of government continually increased, which brought about a rise in government employment and population in the metropolitan area. However, this trend reversed in the 1990s. The area was significantly impacted by the recession of the early 1990s, which saw falling real estate values, business consolidations and downsizings, and reductions in Federal government employment. Thus, the Federal government does indeed provide a stabilizing force in the area economy, but the DC metropolitan area is not immune to the nation's economic cycles.

While the Federal government downsizing has resulted in a net loss of tens of thousands of government jobs since 1993, government expenditures on private sector contract procurements have since increased substantially. Furthermore, within the District, reductions in government employment have been more than offset by growth in major industries. These industries have prospered because of their proximity to the Federal government, global financial institutions, universities and colleges, and the historical attractions that make Washington, DC an international tourist destination.

Government

Within the Washington, DC metropolitan area, local governments provide typical municipal services found in most major metropolitan areas, including welfare and social services, refuse collection, emergency services, public education, and a variety of regulatory functions. Each municipality has its own zoning ordinance and governmental structure.

In addition to the local governments, the area is the headquarters for the Federal government. Major Federal agencies are located throughout the District of Columbia, and many of the surrounding suburbs. Both the Federal and local governments are major employers in the MSA. The area is also served by several cross-jurisdictional agencies. These include the Maryland National Capitol Park and Planning Commission, which provides planning and zoning coordination in the Maryland suburbs. The Washington Metropolitan Area Transit Authority is the regional public transit operator. The Metropolitan Washington Council of Governments performs studies on metropolitan economic and business issues and promotes the region to outsiders.

Professional Services

As the largest of the city's economic sectors, this category includes lawyers, bankers, accountants, researchers and policy analysts, and other specialists, along with professional and membership associations. Washington's employment in this industry network is significantly higher than the national average. Critical to this cluster is access to Congress and Federal regulatory agencies and departments. Well over one-third of all membership associations in North America are located in Washington, DC. All major law firms are represented, along with financial institutions such as the International Monetary Fund, World Bank, the Inter-American Development Bank, and the Federal Reserve.

Hospitality and Tourism

This is the second largest economic sector in the city. It includes the businesses and employees that serve the 23 million national and international tourists, regional visitors and city residents who are drawn to Washington, DC's hotels, restaurants, sports and entertainment venues, cultural and tourist attractions and specialty stores each year. Few other places have more museums and exhibits and galleries than Washington, DC. Additionally, DC is second only to New York in the performing arts.

Education and Research

The education and research sector includes the staffs of Washington's many think-tanks and other policy research institutions, as well as the staff of the city's major universities, each of which has adapted its own teaching and research specialties to take advantage of its location in the nation's capital.

Biomedical and Health Services

This is among the fastest growing industries in the nation's economy. Employment in this group includes the research and hospital staffs of the city's major hospitals and universities, the medical researchers working on projects for the National Institutes of Health, and the companies that support these activities. DC is home to two major world-class medical schools and several world-class hospitals.

Media

Washington, DC continues to be a major center for media and publications industries. Every major broadcast network newspaper and publisher has Washington, DC operations.

Technology and Defense

The technology industry includes software designers, privately sponsored computer systems developers, and information engineers in the satellite communications industry. The expansion of the technology sector has fueled further business activity in the metropolitan area. The technology sector includes the telecommunications industry, Internet companies, software companies, systems integration companies, defense contractors, and aerospace engineering firms.

The defense industry has long been an important part of the area's economy as well. The massive amount of Federal defense spending over the years has always benefited the Washington metropolitan area disproportionately. Firms such as Northrop Grumman, SAIC, Lockheed Martin Corporation, and Raytheon are involved in many facets of the defense and information technology industry.

Unemployment Trends

Economic growth in the Washington, DC metropolitan area has contributed to low unemployment throughout the region (see Table 9). From a high of 8.90% in 1995, the unemployment rate in Washington, DC steadily decreased through 1997, increased to 8.80% in 1998, and decreased to 5.70% in 2000. In the wake of the national economic recession, unemployment increased to 6.40% in 2001 and 2002, and 7.00% in 2003. As of September 2004, unemployment had increased to 7.80%.

Table 9
Annual Average Unemployment Rates

Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Sept. 2004
U.S.	6.10%	5.60%	5.40%	4.90%	4.50%	4.20%	4.00%	4.70%	5.80%	6.00%	5.30%
Washington, DC Metropolitan Area	4.10%	4.20%	3.90%	3.70%	3.20%	2.60%	2.40%	3.10%	3.70%	3.50%	3.20%
Washington, DC	8.20%	8.90%	8.50%	7.90%	8.80%	6.30%	5.70%	6.40%	6.40%	7.00%	7.80%
Alexandria City, VA	4.50%	4.40%	4.00%	3.20%	2.30%	2.30%	1.50%	2.60%	3.30%	2.70%	1.80%
Arlington County, VA	3.50%	3.50%	3.20%	2.50%	1.70%	1.60%	1.10%	2.10%	2.70%	2.30%	1.70%
Fairfax County, VA (1)	3.00%	2.80%	2.70%	2.30%	1.60%	1.60%	1.20%	2.30%	3.00%	2.50%	1.80%
Loudoun County, VA	3.20%	2.80%	2.40%	2.00%	1.30%	1.10%	0.90%	2.50%	3.50%	2.90%	1.90%
Prince William County, VA (2)	3.30%	3.30%	2.80%	2.70%	2.00%	1.90%	1.50%	2.30%	3.10%	3.20%	2.30%
Fauquier County, VA	3.30%	3.20%	2.90%	2.40%	1.80%	1.50%	1.00%	1.70%	2.60%	2.60%	2.10%
Montgomery County, MD	2.90%	2.90%	2.60%	2.60%	2.30%	1.80%	1.90%	2.30%	2.80%	2.60%	2.20%
Prince George's County, MD	4.50%	4.80%	4.70%	5.00%	4.40%	3.50%	3.80%	4.00%	4.80%	4.70%	4.30%
Frederick County, MD	3.90%	4.10%	3.40%	3.80%	2.90%	2.20%	2.20%	2.70%	2.90%	3.10%	2.50%
Charles County, MD	3.50%	3.80%	3.40%	4.00%	3.20%	2.50%	2.60%	2.50%	2.90%	3.10%	2.90%

Source: Bureau of Labor Statistics; compiled by New Market Real Estate Group

Conclusion

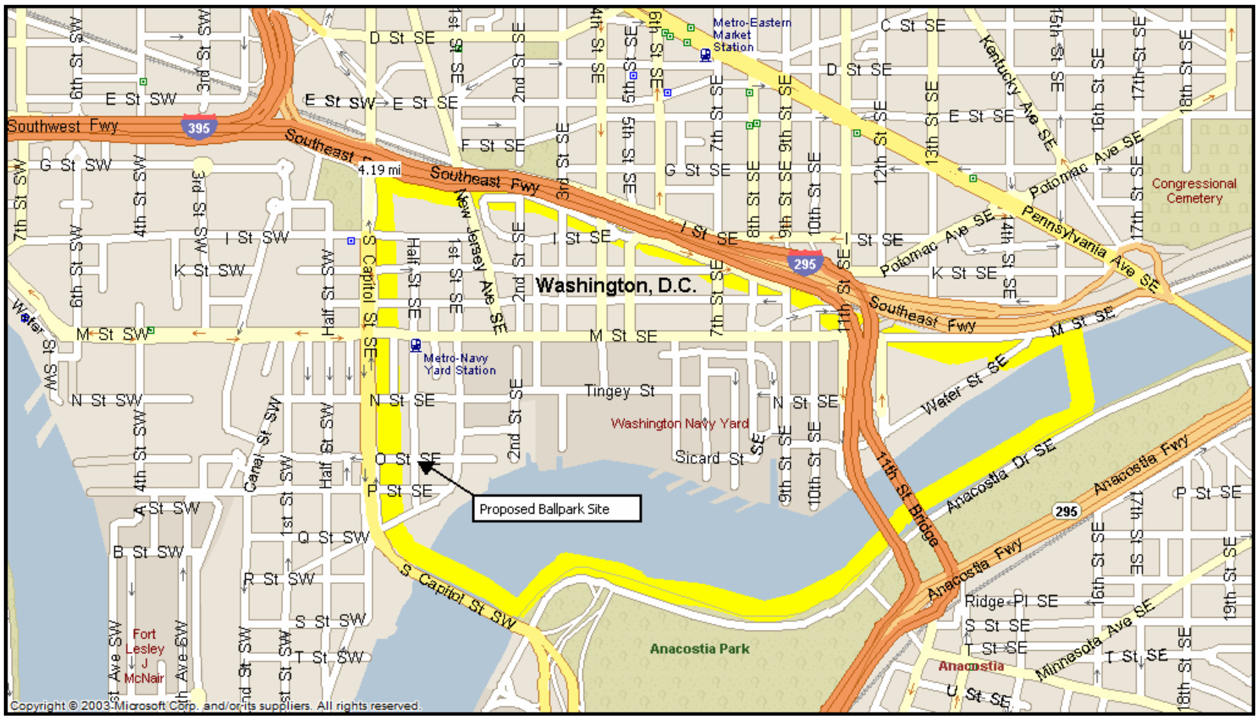
The Washington PMSA has outperformed other major metropolitan areas in recent years, which is primarily attributed to the stabilizing effect of the Federal government. In the coming years, this area is expected to experience above-average increases in population and households compared to the nation. Increases in employment are expected to be slightly above the national average. Average household income in the metropolitan area is expected to increase at a rate slightly below the national average.

In the District of Columbia, population is expected to continue to decline through 2015. However, the number of households will remain relatively stable. Average household income will increase, albeit at an annual rate less than the MSA and the nation. Employment growth in the District will be lead by increases in the services sector. Total employment in DC will continue to vastly exceed its population, as most workers commute in from Maryland and Virginia. Overall, the presence of the Federal government, increased defense and homeland security spending, a growing population, and the recovering tourism industry are expected to promote above-average growth for the PMSA in the coming years.

VI. Neighborhood Analysis

Introduction

The PBSS is situated within the Navy Yard area of Southeast Washington, DC. This location is also known as “Near Southeast,” due to its location on the north side of the Anacostia River, which divides the Southeast quadrant of the city. The subject neighborhood is generally bound by Interstate 295 to the north, the Anacostia River to the south and east, and South Capitol Street to the west, as depicted on the following map.



Transportation

Major roadways and expressways providing access to the subject neighborhood include South Capitol Street, M Street, Interstate 395 (Southeast/Southwest Freeway), and Interstate 295 (Anacostia Freeway). The primary east/west artery is M Street, located one block north of the northern boundary of the PBSS. The M Street corridor provides excellent exposure, and also benefits from two access points to the Navy Yard Metro station. The primary north/south artery is South Capitol Street, a four to six-lane roadway located directly west of the PBSS. However, due to limited access points, grade separation of the north bound exit ramp, and a divided median, the PBSS has limited visibility and accessibility from South Capitol Street. Overall, the neighborhood benefits from good vehicular access. Road improvements proposed for the area include a new South Capitol Street bridge, and a tunnel for the Southeast Freeway to eliminate the current barrier between Capitol Hill and the subject neighborhood.

Metrorail access is a major benefit to the neighborhood, providing convenient access for residents and employees to points throughout the city and suburbs. Metrorail's Green Line extends through Washington to Greenbelt, Maryland at the north end, and to Branch Avenue near Suitland, Maryland at the south end. The Navy Yard Metro station is located one block north of the northernmost boundary of the PBSS, with two access points on M Street.

Land Uses

The predominant land use in the subject neighborhood is the Washington Navy Yard, situated between M Street and the Anacostia River. Private land uses in the subject neighborhood consist of newer office development concentrated along the M Street corridor, primarily residential development along secondary thoroughfares to the north of M Street, and a predominance of older industrial properties along secondary thoroughfares to the south of M Street.

Proximity to Services & Employment

The nearest shopping center serving the subject neighborhood is Waterside Mall, situated approximately one mile west of the PBSS at 4th and M Streets in Southwest. Developed in the late 1960's, this mixed-use property features direct Metro access and includes a grocery store and drug store, as well as more than one million square feet of office space that has remained largely vacant since the departure of the Environmental Protection Agency in 2002. A proposed redevelopment plan for this property includes more than two million square feet of office space, a 100,000 square foot grocery-anchored retail center, and 400 residential units of which 20% would be subsidized for 30 years. However, in January of 2005, Fannie Mae backed out of its commitment to lease 2.1 million square feet of the planned office space. This will delay the anticipated construction schedule of 2006 to 2009, until another anchor tenant can be secured.

The subject neighborhood is also proximate to fire and police stations, public schools, and several colleges and universities. The neighborhood offers convenient access to the waterways of the Washington Channel and Anacostia River, as well as the monuments and museums on the National Mall. Nearby parks include the East Potomac Park and Golf Course to the west, and the Anacostia River Park to the south.

The subject neighborhood is situated within approximately one mile of Capitol Hill and the Southwest office district centered around L'Enfant Plaza. This mixed-use development contains office and retail space, as well as a Loews Hotel. This facility is directly accessible from the subject neighborhood via the Metrorail. The subject neighborhood is also emerging as an employment center, with a significant level of new development that is discussed in the following section.

Neighborhood Revitalization and Redevelopment

Washington Navy Yard: The gradual revitalization currently underway in the subject neighborhood began 10 years ago, when Congress approved spending $200 million to develop office facilities at the Washington Navy Yard. A construction contract was awarded in 1997 for development of the Naval Sea Systems Command (NAVSEA) headquarters, which included more than 1 million square feet of new and redeveloped office space. The NAVSEA headquarters project involved the relocation of thousands of employees from Northern Virginia offices into the subject neighborhood, which began in 2001 following completion of construction.

M Street, SE Corridor: Prompted by the NAVSEA relocation project, two private office projects began construction in 1999 on M Street near the Navy Yard, providing close proximity for defense contractors. Both properties were delivered in 2001. A third office building known as the Federal Gateway began construction on M Street in 2002, with completion in 2003. Two additional sites have been acquired on M Street by developers, with plans to construct office space once construction is deemed feasible. The leasing broker for one proposed project indicated that the defense contractor market has "dried up" for the time being, no leases have been signed to date at the proposed building, and new office construction at this location is not considered to be feasible at this time. Similarly, the developer of the second M Street site reported that office development is not feasible at present, and a holding period was anticipated when the site was acquired in early 2002.

Located at the eastern end of the M Street Corridor, the Maritime Plaza office complex is situated across the I-295 expressway from the Navy Yard. Plans for this 12-acre office park include 800,000 square feet of office space and a 250-room hotel, featuring direct Navy Yard access and a private shuttle to the Metro station. The first building containing 200,000 square feet was completed in 2001, and the second phase containing 145,000 square feet was delivered in 2003. It appears that plans to complete this development have been delayed, as no further construction is evident at this time.

Southeast Federal Center: In 2000, Federal legislation permitted development of the 55 acres comprising the Southeast Federal Center (located on former Navy Yard land), which involved a partnership with the GSA and private developers. Plans for this project include a combination of office, retail, residential and cultural facilities. The first phase of the Southeast Federal Center is the construction of 1.4 million square feet of office space to serve as the headquarters for the Department of Transportation. The developer was selected in 2001, and construction of this project is currently underway.

Anacostia Waterfront Initiative: March of 2000 saw the formation of the Anacostia Waterfront Initiative, a partnership of Federal and city agencies committed to controlled revitalization of the Anacostia waterfront areas in Southwest and Southeast Washington. Long-term goals include the development of approximately 20,000 residential units and five million square feet of office space in riverfront locations. Plans to reduce river pollution, improve river access, and promote pedestrian-friendly mixed-use development along the waterfront would create a significant benefit to the subject neighborhood, which features river frontage one block south and east of the PBSS. In addition, long-term plans to revitalize the South Capitol Street Corridor and replace the Frederick Douglass Bridge, directly south of the subject neighborhood, would benefit the adjacent PBSS.

Florida Rock PUD: Florida Rock is a 5.5-acre planned unit development situated on the northern bank of the Anacostia River, directly south of the PBSS. The original PUD approval was obtained several years ago, and has since expired. It is our understanding that the owner has received preliminary approval of a revised mixed-used development. The project is to include 600,000 square feet of office space, 40,000 square feet of retail space, 160 apartments, and a hotel. Development of this project has been delayed by a variety of issues, including the inability to secure a major tenant.

Conclusion

The subject neighborhood is part of the city's long-term urban renewal plan, which has the intention of creating areas that will have a mix of employment, residential, retail and recreational uses. The neighborhood is currently in the redevelopment stage of its life cycle, and the pace of revitalization in this area has been moderate. Several substantial construction projects are currently underway in the neighborhood, which will promote the steady progress of the current redevelopment trend.

VII. Market Analysis

Multi-Family Residential Market Overview

Subject Neighborhood: At present, the majority of residential development in the subject neighborhood is located along secondary thoroughfares to the north of M Street, consisting primarily of a large public housing project that is currently being demolished for redevelopment. This represents a Hope VI redevelopment project, which will replace the demolished housing with a similar number of low and moderate-income units, and will also include additional market rate units. Another multi-family construction project is currently underway on L Street, one block north of M Street and the Navy Yard Metro station. Known as the Capitol Hill Tower, this property is being constructed in conjunction with an adjacent Courtyard by Marriott hotel. The residential component will include a one 13-story building containing 344 luxury apartments. Delivery is scheduled for spring of 2006. Another developer has recently acquired a site located at the northeast corner of Half and N Streets, on the south side of M Street near the Navy Yard Metro, with tentative plans for some type of residential development with street level retail space.

Additional multi-family residential construction projects in the area surrounding the subject neighborhood include three condominium properties: Jenkins Row on Capitol Hill and The Escalade to the north, and Potomac Place to the west. The Jenkins Row property features a Pennsylvania Avenue address, and a location across the street from the Potomac Avenue Metro station. The five-story building will include 247 luxury condominiums, a 47,000 square foot Harris Teeter grocery store, and an additional 5,000 square feet of ground floor retail space. The developer is not currently providing unit pricing for this property; however, the Reis Apartment Asset Advisor report indicates anticipated pricing of $200,000 to $600,000. The developer originally planned a 247-unit apartment project for this location, known as Jefferson on the Hill. Situated across Pennsylvania Avenue, The Escalade is a small, upscale project with 12 units ranging in price from $600,000 to $720,000. The Reis report indicates that this project attracted 200 people to its first open house in late October 2004. The Potomac Place property includes the extensive renovation of a 1960's building, and the construction of an additional building on the site. The developer reported that the first 150 units began marketing in June of 2004, and were sold out by the end of the year. The sales pace for the second phase has reportedly increased, with 100 units sold since the beginning of 2005 with only 50 units remaining. The typical sale price is reported at approximately $375 per square foot. In addition to these three new projects, the Reis report notes that two additional condominium properties are being constructed at 15th and C Streets, Southeast: The Venetian with 24 units, and The Gaslight with nine units.

Several existing high-rise co-operative buildings located on the M Street corridor in nearby Southwest are reportedly performing well. Constructed in the 1960's, units within these buildings are currently selling between $110,000 and $335,000. The average marketing time for these units is less than 30 days, with average sale prices at 100% to 106% of the asking price. These properties feature some ground floor units that have been successfully converted into professional offices.

Capitol Hill / Southwest Submarket: As of 4th Quarter 2004, this submarket was comprised of 6,585 apartments in 33 buildings, according to quarterly market statistics provided by Reis. The average asking rate is reported at $1,142 per month, with a typical free rent concession of approximately two weeks. These figures fall in line with the statistics for the District overall. This submarket's 4th Quarter vacancy rate of 4.3% falls below the District-wide vacancy rate of 5.2%. The five-year forecast for the Capitol Hill/Southwest apartment submarket projects modest rent growth of 2.9%, a slightly higher vacancy of 5.5%, a 1.7% increase in inventory with average annual deliveries of 116 units, and average annual absorption of 76 units.

District of Columbia: The District of Columbia is currently experiencing considerable demand for housing, with rapidly rising prices for all types of residential property in recent years. According to the 3rd Quarter 2004 "Apartment Asset Advisor" prepared by Reis, condominiums are the multi-family development of choice at present, with only moderate levels of apartment development. This is clearly being driven by demand. Despite considerable investor interest and falling capitalization rates, the apartment market has recently experienced moderate softening. Vacancy rates have increased slightly and concessions have returned to the market, as absorption has not kept pace with new construction. The near-term forecast projects steady vacancy rates, as the current construction cycle is expected to meet the anticipated gradual increase in demand. The long-term outlook for the District's apartment market is good, based on favorable demographics and the high cost of housing in and around the city.

Apartment Market Exhibits: The following exhibits are excerpted from the SubTrend Futures, <u>District of Columbia, Apartment: Capitol Hill / Southwest - 4th Quarter 2004</u> report prepared by Reis. The exhibits summarize current, historical, and projected rent growth and vacancy figures for the subject market, the city, the region, and the country.

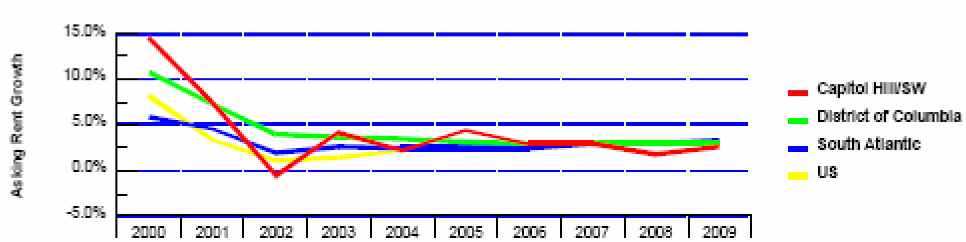
RENT GROWTH COMPARISONS

Asking Rent Growth Rates and Ranks

	Quarterly				Annualized							
	4Q04 1		3Q04 2		1 Yr History 3		3 Yr History 3		5 Yr History 3		5 Yr Forecast 4	
	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank
Capitol Hill/SW	1.8%	n/a	0.2%	n/a	2.2%	n/a	2.0%	n/a	5.5%	n/a	2.9%	n/a
istrict of Columbia	1.2%	4/9	1.3%	9/9	3.5%	7/9	3.7%	8/9	5.8%	6/9	2.9%	4/9
South Atlantic	0.6%	36/208	0.8%	144/208	2.4%	116/208	2.3%	120/208	3.4%	27/208	2.8%	80/208
US	0.5%	86/735	0.8%	485/735	2.2%	331/735	1.6%	322/735	3.2%	100/735	2.8%	253/735

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09

Asking Rent Growth Rate Trends



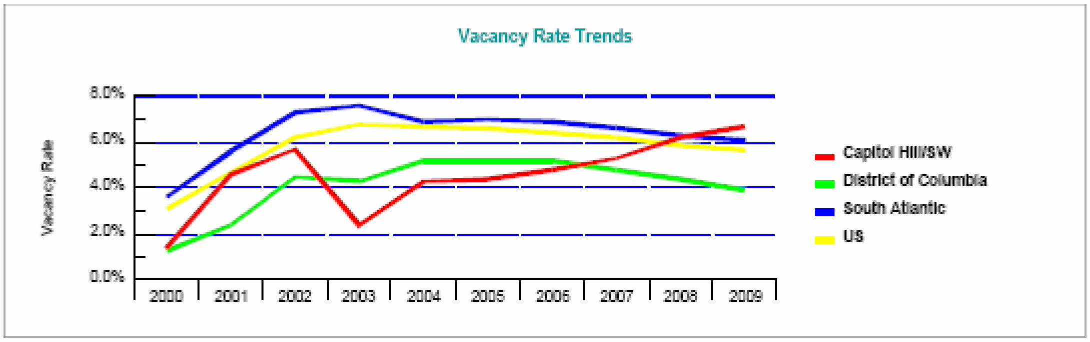
Period ending 12/31/09

VACANCY RATE COMPARISONS

Vacancy Rates and Ranks

	Quarterly				Annualized							
	4Q04 [1]		3Q04 [2]		1 Year [3]		3 Year [3]		5 Year [3]		5 Year Forecast [4]	
	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank
Capitol Hill/SW	4.3%	n/a	3.2%	n/a	3.3%	n/a	4.3%	n/a	3.2%	n/a	5.5%	n/a
District of Columbia	5.2%	5/9	4.5%	3/9	4.8%	3/9	4.1%	7/9	3.2%	6/9	4.7%	7/9
South Atlantic	6.9%	47/208	7.1%	20/208	7.2%	13/208	6.9%	52/208	6.0%	35/208	6.6%	84/208
US	6.7%	174/735	6.6%	83/735	6.7%	74/735	6.1%	192/735	5.2%	141/735	6.1%	297/735

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09



Period ending 12/31/09

We have also considered projections for inventory growth and absorption for the subject market. The following exhibits derived from the Reis report summarize current, historical, and projected construction levels, absorption levels, and inventory growth rates.

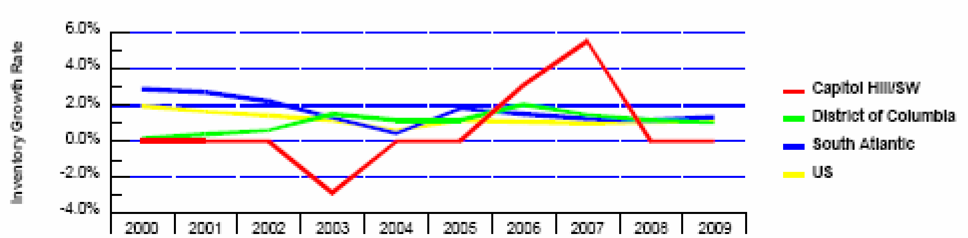
INVENTORY GROWTH COMPARISON

Inventory Growth Rates and Ranks

	Quarterly				Annualized							
	4Q04 [1]		3Q04 [2]		1 Year [3]		3 Year [3]		5 Year [3]		5 Year Forecast [4]	
	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank
Capitol Hill/SW	0.0%	n/a	0.0%	n/a	0.0%	n/a	-1.0%	n/a	-0.6%	n/a	1.7%	n/a
District of Columbia	0.9%	7/9	0.2%	7/9	1.2%	7/9	1.1%	9/9	0.8%	9/9	1.4%	4/9
South Atlantic	0.1%	133/208	0.3%	140/208	0.4%	134/208	1.3%	192/208	1.9%	197/208	1.4%	75/208
US	0.2%	526/735	0.2%	533/735	0.6%	520/735	1.1%	709/735	1.4%	720/735	1.1%	196/735

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09

Inventory Growth Rate Trends



Period ending 12/31/09

CONSTRUCTION/ABSORPTION CHANGE

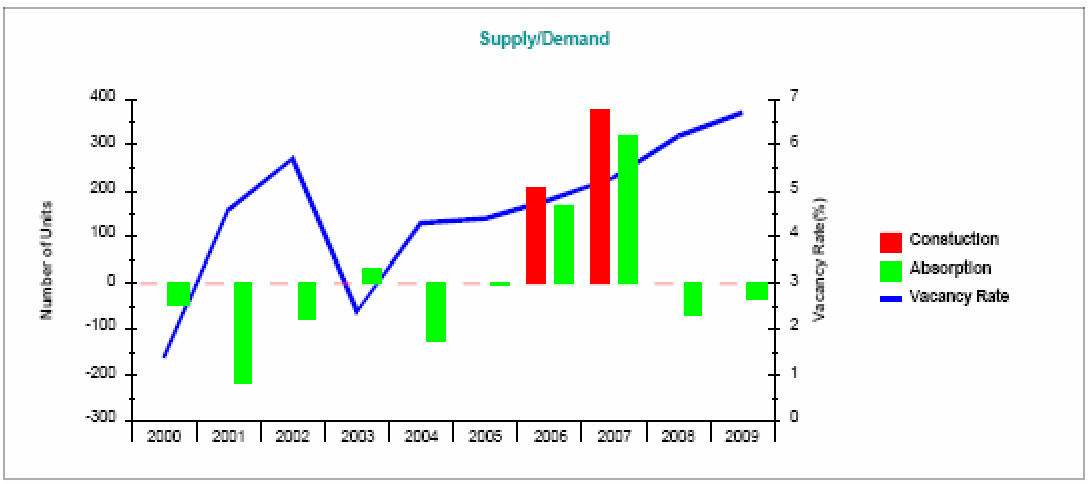
Construction and Absorption

	Quarterly			Annualized								
	4Q04 [1]			1 Year History [2]			3 Year History [2]			5 Year History [2]		
	Units Built	Units Absorb.	C/A Ratio	Units Built	Units Absorb.	C/A Ratio	Units Built	Units Absorb.	C/A Ratio	Units Built	Units Absorb.	C/A Ratio
Capitol Hill/SW	0	-72	0.0	0	-125	0.0	0	-56	0.0	0	-86	0.0
District of Columbia	725	120	6.0	1,057	229	4.6	1,006	93	10.8	695	25	27.8

1. Qtr ending 12/31/04 2. Period ending 12/31/04

	Annualized		
	5 Year Forecast [3]		
	Units Built	Units Absorb.	C/A Ratio
Capitol Hill/SW	116	76	1.5
District of Columbia	1,191	1,358	0.9

3. Period ending 12/31/09



Period ending 12/31/09

Office Market Overview

Subject Neighborhood: Within the subject neighborhood, virtually all recent and proposed office development is concentrated along the M Street corridor, between South Capitol Street and 13th Street, SE. Recently completed office projects in the subject neighborhood include: 300 M Street, with 281,296 square feet completed in 2001; 80 M Street, with 267,995 square feet completed in 2001; 1201 M Street, with 200,000 square feet completed in 2001; 1220 12th Street, with 145,000 square feet completed in 2003; and 1100 New Jersey Avenue, with 297,922 square feet completed in 2003. Construction of 1.4 million square feet of office space is currently underway at the Southeast Federal Center, adjacent to the Navy Yard on the south side of M Street. This facility will serve as the headquarters for the United States Department of Transportation. Additional office development is proposed for sites located at 250 M Street and 20 M Street. The developers intend to hold these sites in speculation until further office development is deemed feasible at this location.

Capitol Hill Submarket: At the end of 2004, approximately 5.8 million square feet of office space were under construction in the District, with the Department of Transportation facility in the subject neighborhood representing the largest new project. According to the 4th Quarter 2004 Reis Report, the average asking rental rate indicated for the Capitol Hill office market was $37.70 per square foot as of year end. This is a gross rate, inclusive of expenses. Although this represents a slight decline of 0.8% from the prior year, the five-year forecast projects modest rent growth of 2.9% for the Capitol Hill office market. The vacancy rate for this submarket was reported at 9.8% at the end of 2004, which falls above the District's overall average of 7.4%. The five-year forecast anticipates virtually no change, with a projected average vacancy rate of 9.6% for the next five years. Overall, the Capitol Hill office market is expected to remain relatively stable over the next five years, with demand keeping pace with a moderate level of new construction.

District of Columbia: The District of Columbia office market experienced only modest softening after the economic downturn in 2000, escaping the dramatic spikes in construction and swings in vacancy rates encountered in the nearby Northern Virginia and Suburban Maryland markets. This is evidence of the stabilizing effect of the Federal government's significant presence, as increased government spending on defense and security helped to sustain this market through the recent recession. The long term outlook for the District's office market is very good, as current construction levels are moderate and continued job growth is expected to generate sufficient demand to keep the market in balance.

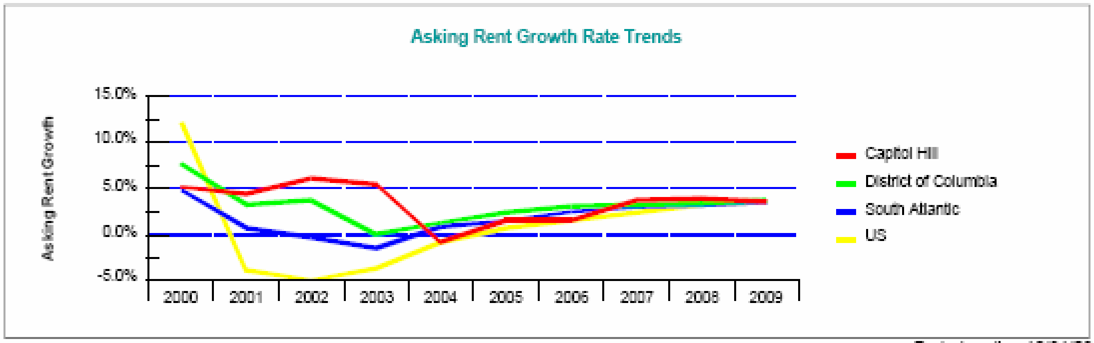
Office Market Exhibits: The following exhibits are excerpted from the SubTrend Futures, District of Columbia, Office: Capitol Hill - 4th Quarter 2004 report prepared by Reis. The exhibits summarize current, historical, and projected rent growth and vacancy figures for the subject market, the city, the region, and the country.

RENT GROWTH COMPARISONS

Asking Rent Growth Rates and Ranks

	Quarterly				Annualized							
	4Q04 1		3Q04 2		1 Yr History 3		3 Yr History 3		5 Yr History 3		5 Yr Forecast 4	
	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank	Rent Growth	Submkt Rank
Capitol Hill	0.7%	n/a	0.8%	n/a	-0.8%	n/a	3.6%	n/a	4.1%	n/a	2.9%	n/a
District of Columbia	0.6%	2/7	0.1%	1/7	1.3%	7/7	1.7%	1/7	3.2%	1/7	3.2%	7/7
South Atlantic	0.5%	77/177	0.3%	48/177	0.9%	148/177	-0.2%	8/177	0.9%	3/177	2.8%	47/177
US	0.0%	169/545	0.0%	111/545	-0.8%	354/545	-3.1%	14/545	-0.4%	17/545	2.3%	93/545

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09



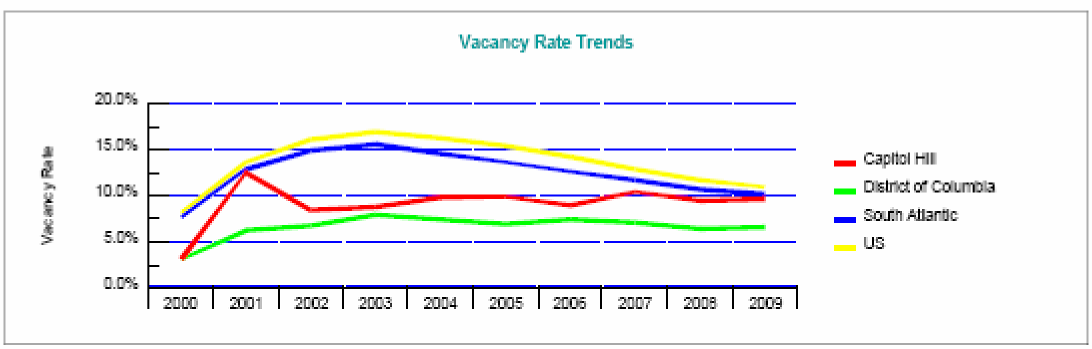
Period ending 12/31/09

VACANCY RATE COMPARISONS

Vacancy Rates and Ranks

	Quarterly				Annualized							
	4Q04 1		3Q04 2		1 Yr History 3		3 Yr History 3		5 Yr History 3		5 Yr Forecast 4	
	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank	Vacancy Rate	Submkt Rank
Capitol Hill	9.8%	n/a	9.3%	n/a	9.3%	n/a	9.8%	n/a	8.4%	n/a	9.6%	n/a
District of Columbia	7.4%	7/7	7.7%	5/7	7.6%	6/7	7.1%	7/7	6.0%	7/7	6.9%	7/7
South Atlantic	14.5%	39/177	15.0%	27/177	15.1%	27/177	14.5%	30/177	12.4%	26/177	11.7%	44/177
US	16.2%	68/545	16.6%	48/545	16.6%	43/545	15.7%	62/545	13.4%	43/545	13.0%	78/545

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09



Period ending 12/31/09

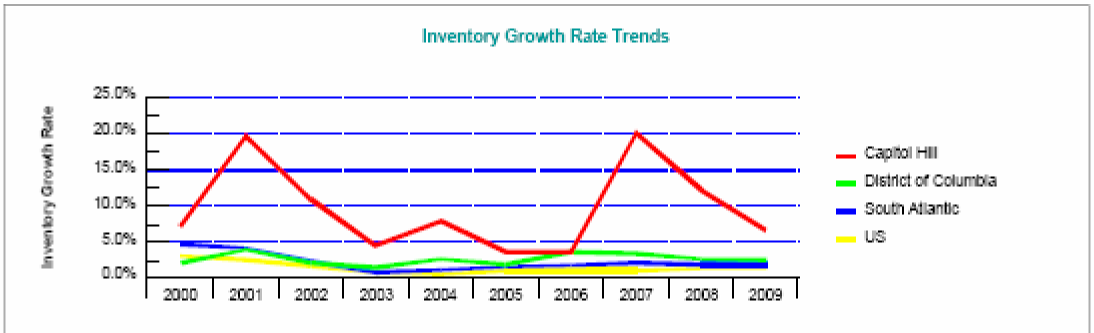
We have also considered projections for inventory growth and absorption for the subject market. The following exhibits derived from the Reis report summarize current, historical, and projected construction levels, absorption levels, and inventory growth rates.

INVENTORY GROWTH COMPARISON

Inventory Growth Rates and Ranks

	Quarterly				Annualized							
	4Q04 [1]		3Q04 [2]		1 Yr History [3]		3 Yr History [3]		5 Yr History [3]		5 Yr Forecast [4]	
	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank	Inventory Growth	Submkt Rank
Capitol Hill	7.2%	n/a	0.0%	n/a	7.9%	n/a	7.8%	n/a	9.9%	n/a	9.1%	n/a
District of Columbia	1.4%	1/7	0.8%	4/7	2.7%	1/7	2.1%	1/7	2.5%	1/7	2.8%	1/7
South Atlantic	0.3%	2/177	0.6%	43/177	1.2%	8/177	1.5%	8/177	2.6%	5/177	1.9%	1/177
US	0.2%	5/545	0.2%	149/545	0.5%	17/545	1.0%	13/545	1.7%	16/545	1.2%	4/545

1. Qtr ending 12/31/04 2. Qtr ending 09/30/04 3. Avg over period ending 12/31/04 4. Avg over period ending 12/31/09



Period ending 12/31/09

CONSTRUCTION/ABSORPTION CHANGE

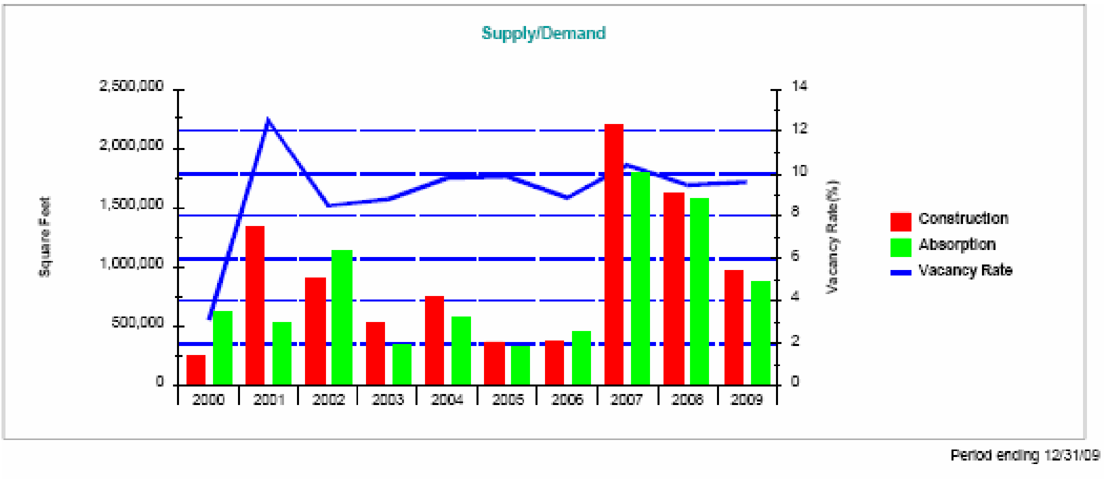
Construction and Absorption

	Quarterly			Annualized								
	4Q04 [1]			1 Year History [2]			3 Year History [2]			5 Year History [2]		
	Sq Ft Built	Sq Ft Absorbed	C/A Ratio	Sq Ft Built	Sq Ft Absorbed	C/A Ratio	Sq Ft Built	Sq Ft Absorbed	C/A Ratio	Sq Ft Built	Sq Ft Absorbed	C/A Ratio
Capitol Hill	683,000	568,000	1.2	743,000	576,000	1.3	722,667	688,667	1.0	750,200	642,400	1.2
District of Columbia	1,233,000	1,397,000	0.9	2,326,000	2,472,000	0.9	2,232,333	1,260,000	1.8	2,291,400	1,382,200	1.7

1. Qtr ending 12/31/04 2. Period ending 12/31/04

	Annualized		
	5 Year Forecast [3]		
	Sq Ft Built	Sq Ft Absorb.	C/A Ratio
Capitol Hill	1,108,400	1,007,200	1.1
District of Columbia	2,622,600	2,594,000	1.0

3. Period ending 12/31/09



Conclusion

The subject neighborhood is currently undergoing a gradual redevelopment, with several new office buildings completed in recent years. However, local market participants are reporting that further office development is not feasible at present, as most construction projects will not proceed without substantial pre-leasing. Two multi-family residential construction projects are currently underway in the subject neighborhood. However, this location has historically provided subsidized housing, and there have been no recent completions of market-rate housing in this neighborhood. Although the viability of market-rate housing is unproven in the subject neighborhood, the adjacent neighborhoods to the north and west have experienced successful development of multi-family housing. The current construction projects underway in the subject neighborhood, most notably the 1.4 million square foot U.S. Department of Transportation headquarters, will enhance the viability of the subject neighborhood as an employment center and the desirability of the area for residential development. Based upon activity in the surrounding neighborhood, conversations with developers active in the neighborhood, and the typical planning, permitting, and construction process of approximately three years, we have estimated a development horizon of approximately three years for the subject property. This would indicate delivery of new improvements on the subject site in approximately six years.

VIII. Highest and Best Use

Highest and best use is defined in The Dictionary of Real Estate Appraisal, 4th Edition, published by the Appraisal Institute, as: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." In analyzing the highest and best use of a site and arriving at a logical conclusion, there are four basic factors to be considered;

1) Possible Use: What uses of the site in question are physically possible?

2) Legally Permissible Use: What uses are permitted by zoning and deed restrictions?

3) Feasible Use: Which possible and permissible uses will produce a net return to the land?

4) Maximally Productive Use: Among the feasible uses, which use will produce the highest net return to the land?

The following tests must be met in estimating highest and best use: the use must be possible based on the physical characteristics of the site, legally permitted by the zoning regulations affecting the site, and probable, not speculative or conjectural. There must be a profitable demand for such a use and it must return to the land the highest net income for the longest period of time.

The purpose of the highest and best use analysis is to formulate a reasonable conclusion regarding which use will meet all the criteria that determine highest and best use. This conclusion is then used in selecting the comparable sales data to be used, as such data must have a highest and best use similar to the subject property.

Based upon this definition and our analysis, we have estimated the highest and best use of the Private Property, as if vacant and as improved, as described below.

As Improved

The Private Property is improved with a variety of industrial buildings, as well as a small percentage of residential and commercial properties. In January of 2005, the Private Property and surrounding areas were re-zoned to permit mixed residential and commercial development. The new CG/CR district also permits a higher maximum density, which has enhanced the development potential and value of the affected land.

In order to appropriately analyze the highest and best use of the Private Property as improved, we have considered sales of improved properties similar in character, location and size to the existing improvements, as well as land sales with zoning similar to that of the new subject zoning. This analysis revealed that the value of the underlying land, under the new zoning, exceeds that of the improvements plus demolition costs and estimated soil remediation expenses. This indicates that the existing improvements represent an interim use, and the highest and best use will eventually be to demolish the improvements to permit redevelopment when market demand warrants new construction or when a build-to-suit opportunity arises.

As if Vacant

The Private Property is currently zoned "CG/CR, Mixed Use (Commercial Residential) District within the Capitol Gateway Overlay District", effective January 7, 2005. Permitted uses include, but are not limited to, single and multi-family residential, hotel, retail, and office uses. The CG Overlay District permits bonus density of 1.0 FAR that may be used only for on-site residential uses, for a maximum overall FAR of 7.0. Although the subject parcels vary in terms of size, shape, and site utility, each parcel is generally level, with average exposure and access, and is suitable for a variety of uses.

Based on the level of demand for both housing and office space within the District of Columbia, rising home prices and rental rates, limited availability of land, and the PBSS's location proximate to the Navy Yard Metrorail station and Capitol Hill, a mixed residential and office development would be a profitable use of the site. Taking into consideration the current zoning requirements, the character and development patterns of the surrounding areas, and the District's desire to promote a mixture of residential and commercial development, it is our opinion that the most likely overall development mix for the Private Property is 4.0 FAR of residential uses and 3.0 FAR of commercial uses.

Conclusion

Based upon our analysis of sales data, we have concluded that the existing improvements represent an interim use, and the highest and best use will eventually be to demolish the improvements to permit redevelopment. A development horizon of approximately three years is projected, based on activity in the surrounding neighborhood, and the typical planning, permitting, and construction process of approximately three years.

IX. Valuation Methodology

The three traditional valuation approaches are the Income, Sales Comparison, and Cost Approaches to value. The method which best applies to a property under consideration depends largely upon the nature of the property and its improvements.

The **Income Capitalization Approach** is usually considered the primary indicator of value when analyzing income-producing properties, either through the direct capitalization of net income before capital expenses, depreciation and debt service, or through the discounting of projected cash flows into an indication of their present worth.

The **Sales Comparison Approach**, alternatively referred to as the Market Data Approach, is based upon the principle of substitution, which theorizes that a prudent purchaser will pay no more for a property than it would cost to purchase a suitable and equally desirable substitute.

The **Cost Approach** is based on a comparison between the cost to develop a property and the value of the existing property. This approach is most reliable for new properties and/or those suffering little accrued depreciation or external obsolescence, and where land value can be reliably estimated. The methodology of this approach does not adequately reflect current market conditions, such as recognizing the income potential of a property, or reflecting buyers' and sellers' motivations when purchasing income-producing property. Furthermore, this approach is less reliable when a significant amount of physical depreciation exists.

As discussed previously, we have concluded that the existing improvements represent an interim use, and the highest and best use will eventually be to demolish the improvements to permit redevelopment with a more profitable use. A development horizon of approximately three years has been projected, based on activity in the surrounding neighborhood, and the typical planning, permitting, and construction process of approximately three years. In order to perform the analysis of the Private Property, the land value will be estimated via the Sales Comparison Approach. The contributory value of the existing improvements is analyzed via the Income Capitalization Approach, by estimating their income-generating capacity for the projected three-year holding period.

X. Sales Comparison Approach

The first component of this analysis is valuing the subject's underlying land, assuming it is cleared of any improvements, free of soil contamination, and available for development. Adjustments for these factors will be accounted for separately, following this analysis. In this approach, market value is estimated by comparison of the Private Property to similar properties that have sold recently, or for which offers to purchase have been made. The appropriate unit of comparison in this analysis is the sale price per square foot of maximum permitted building area, or price per square foot of the floor area ratio (FAR). This reflects the analysis of typical purchasers of development land, and will eliminate the need for additional site size or development density adjustments.

Comparable Sales Data

The current zoning of the Private Property permits a variety of development including office and residential uses. We have researched both commercial and multi-family residential land sales throughout the subject neighborhood of Near Southeast. Due to the somewhat unique characteristics of this neighborhood, the comparison of this location to other parts of the city is subjective and difficult to quantify. Therefore, we extended our search of historical sales data to January of 2000, in order to obtain all sales activity in the immediate area. Additionally, we have included three supplemental sales from a similar transitional neighborhood in Northeast Washington. This neighborhood has experienced a recent increase in development activity and investor interest, due to the recent completion of the New York Avenue Metrorail station at 200 Florida Avenue, NE.

A total of 10 commercial land sales were selected, indicating sale prices ranging from $8.67/SF-FAR to $40.54/SF-FAR, prior to adjustment. Three residential land sales were identified, including one re-sale of the same property. These comparables indicate sale prices from $26.28/SF-FAR to $51.22/SF-FAR. A summary of the sales, including a brief description of their physical characteristics, is included in the "Land Sales Summary Table" found in this section.

It is noted that the appraisers received information pertaining to a reported land sale in the subject neighborhood that has not been included in this analysis. We were informed that the Washington Metropolitan Area Transit Authority (WMATA) may have acquired a half-acre site near the subject property for $8 million. However, a representative of WMATA's Real Estate Division indicated that WMATA has not acquired property in the subject neighborhood in more than 15 years. We also researched public records back to 2000, and were unable to identify any such transaction. Therefore, this reported transaction is unconfirmed and has not been considered in this analysis.

Adjustments

The comparable sales presented in the Land Sales Summary Table are adjusted for conditions of sale, time (market conditions), location, access and visibility, and development timing. Size adjustments are implicitly accounted for in the FAR adjustments applied to each of the comparable sales. The comparison elements are briefly explained as follows:

> ***Conditions of Sale*** refers to the known motivations of buyers and sellers that influenced the sale price paid for a particular property.
>
> ***Time*** refers to the change in pricing that occurs due to evolving market conditions. In this instance, a modest upward adjustment is applied to account for the passage of time subsequent to the sale date.
>
> ***Location*** refers to the communities in which the Private Property and comparable sale properties are located: the Southeast/Capitol Hill area vs. other central business district areas. The proximity to public transportation (MetroRail) stations is also considered.
>
> ***Access and Visibility*** refers to disparities in overall ease of access and exposure of the Private Property relative to the access and visibility characteristics of the comparable sales.
>
> ***Development Timing*** refers to the amount of time required between the effective valuation date and the point in time when market conditions warrant new development. As indicated in the Highest and Best Use section, development of the Private Property is estimated to be deferred for three years. Comparable sales that were acquired for near-term development were therefore adjusted to account for differences in development timing. The appropriate adjustment factor was applied based on an analysis of sites acquired for near-term development vs. those purchased for future development.

Estimated Value per Square Foot of FAR

Following the application of adjustments as described above, primary consideration is given to the most recent sales activity in the subject neighborhood. Based on this analysis, a value within the overall range and toward the mid-point of the most recent sales is appropriate. Accordingly, a commercial value of $15.00 SF-FAR and a residential value of $22.00 SF-FAR have been selected for the Private Property. These rates assume the sites are cleared of improvements and free of environmental contamination. Utilizing the previously estimated overall development mix of 4.0 FAR for residential uses and 3.0 FAR for commercial uses, the blended value estimate is $19.00/SF-FAR. This figure is intended to represent a benchmark for the overall Private Property. We will account for specific variations between the individual economic units and the overall benchmark value, with respect to specific location and other physical characteristics.

Application to each Economic Unit

There are 33 economic units that comprise the Private Property. These represent separately owned single parcels and groups of contiguous parcels with the same property ownership. Non-contiguous parcels owned by the same entity have been valued as separate individual economic units.

We have considered each economic unit individually, based on specific location and physical characteristics such as accessibility, frontage and exposure, proximity to the Navy Yard Metrorail station, topography, shape, and site utility. Each economic unit has been rated based on these elements of comparison as follows: 1 = below average; 2 = average (or typical for the overall site); and 3 = above average. Based on the individual ratings, we have made appropriate adjustments to the benchmark value for each economic unit comprising the Private Property.

Conclusion

The value estimates have been provided for each economic unit, as well as estimated costs associated with demolition and soil remediation, in the summary table following the Income Capitalization Approach.

LAND SALES SUMMARY TABLE

#	Property Name Property Address Square / Lot Number(s)	Sale Date	Sale Price	Land Area (Acres)	Land Area (SF)	Sale Price / SF	Proposed Use Zoning Permitted FAR	Sale Price / FAR	Site Condition Site Location	Conditions of Sale	Buyer	Seller	Comments
	Near SE Land Sales - Commercial												
1	1100 S. Capitol Street, SE Square 698, Lot 814	7/20/2004	$4,807,167	0.56	24,394	$197.06	Unknown C-3-C 6.5	$30.32	Parking lot Corner location	N/A	1100 South Capital LLC	The Green Door LLC	Situated at the southeast corner of L and South Capitol Streets.
2	1333 M Street, SE Square S of 1048, Lot 1	2/28/2003	$2,110,000	0.93	40,580	$52.00	Mixed Use M 6.0	$8.67	Improved at sale, demo required Corner location	None	1333 M Street SE LLC	Support Terminals Operating Partnership LP	Situated at the southwest corner of M and 14th Streets, extends to Virginia Avenue. Buyer acquired fuel oil terminal, improved with two above-ground storage tanks and two small buildings. The buyer reported that the site was certified clean to a depth of 19 feet.
3	Federal Gateway Two 212 M Street, SE (aka 250 M Street) Square 769, Lot 21	1/7/2002	$3,100,000	0.33	14,318	$216.51	Office Building C-3-C 6.5	$33.31	Improved at sale, price includes buyer's remed. & demo costs Corner location	None	Square 769, LLC (c/o William C. Smith Co.)	Richard C. Pelicamo (Trust) (c/o Shell Oil Company)	Situated at the northwest corner of M and 3rd Streets. Buyer acquired gas station and incurred cost of demolition and site remediation. Sale price of $2,500,000 has been adjusted to reflect buyer's budgeted site preparation/remediation cost of $600,000. Purchaser intends to hold until office development is feasible. Site area of 16,076 SF adjusted to reflect utility easement restrictions.
4	20 M Street, SE Square 698, Lots 1, 2, 3, 20, 804, 805	4/5/2001	$3,345,000	0.51	22,312	$149.92	Office Building C-3-C 6.5	$23.06	Vacant land Corner location	Seller Financing	Southeast Realty, LLC (Lerner Enterprises)	20 M Street Partners, L.P. (c/o Colonial Parking)	Situated at the NW corner of M and Half Streets, currently used for parking.Construction of a 190,000 SF, 10-story office building to commence in 2005; however, no leases have been signed. Seller financing and minor soil contamination did not affect sale price. Developer purchased TDR's for increased density of 9.0 FAR, acquired for lower cost per SF than the land purchase.
5	25 O Street, SW Square 653, Lot 75	3/19/2001	$260,000	0.05	2,138	$121.61	Hold for dev. CM1 3.0	$40.54	Vacant land Mid-block location	None	F. D. Grayton, Inc.	Mohammad S. Pervaz, et al	Situated on the north side of O Street, midway between South Capitol and Half Streets.
6	Federal Gateway 1100 New Jersey Ave., SE (fka 140 M Street, SE) Square 742	9/18/2000 5/24/2000 2/7/2000	$6,500,000	0.73	31,905	$203.73	Office Building C-3-C 6.5	$31.34	Improved at sale, price includes buyer's remed. & demo costs Site locations vary	Assemblage of 3 parcels	Square 742, LLC	M/M William Martin 807 H Street Associates Arnell Corporation	Assemblage of multiple parcels. Developer provided total cost for site acquisition of $6.5M, which includes approx. $600,000 in remediation costs. Subsequently improved with a 297,922 SF, 10-story office building. Buyer purchased TDR's for increased density at additional undisclosed cost.
7	80 M Street, SE Square 699, Lot 28	2/22/2000	$5,500,000	1.04	45,117	$121.91	Office Building C-3-C 6.5	$18.75	Vacant Land Full block, frontage on four streets	None	Spaulding & Slye Services, L.P.	80 M Tracks, L.P.	Situated at the northwest corner of M & 1st Streets, extends to Cushing Place and L Street. Marketed for approximately 10 years. Improved with an office building subsequent to sale, tenants include NAVSEA contractors.
	New York Ave. Metro Land Sales - Commercial												
8	40 Patterson St, NE Square 672, Lot 253	12/20/2004	$3,200,000	0.59	25,526	$125.36	Office Building C-3-C 6.5	$19.29	Improved with 1-story clinic, demo required Mid-block location	None	Forty Patterson Street, LLC	HAC, Inc	Situated on the north side of Patterson Street, midway between North Capitol and 1st Streets. Currently improved with a one-story masonry building occupied by the Veterans Affairs clinic. Buyer plans to construct a 166,000 SF office building. No evidence of construction or marketing at present. Listing broker indicated that buyer overpaid by approximately $1.2 million, owns another property in this neighborhood. Site tested clean, no environmental issues.
9	Constitution Square (fka Capitol Square) 100 M Street, NE Square 711, Lot 160 (portion)	9/15/2003	$53,000,000	6.94	302,429	$175.25	Office Complex C-3-C 6.5	$26.96	Vacant land Corner location, frontage on 3 streets	None	Square 711 Developer, LLC (c/o The John Akridge Companies)	First & M Street Investing Company, LLC (c/o Pennrose)	Situated at the NE corner of M & 1st Streets, extends north to N Street. Construction of first phase of nearly 2 million SF office complex is underway, currently pre-leasing. Offers direct access to New York Ave Metro. Site had minor soil contamination, seller performed partial clean-up and buyer will complete. Not a significant expense, no impact on sale price. Building to 6.5 FAR.
10	4-76 New York Avenue, NE Square 670	1/31/2003	$15,000,000	2.17	94,358	$158.97	Hold for Dev. C-3-C 6.5	$24.46	Vacant land Full block, frontage on three streets (triangular)	Related parties	Cayre Jemals Nick, LLC c/o Douglas Development Co.	New York Avenue Gateway, LLC c/o D.F. Antonelli	Triangular parcel situated at the northeast corner of N. Capitol St. & New York Ave., extends to O St. Represents a transaction between related parties. Seller assembled this parcel in 2000, financed by Cayre Jemal's Nick LLC (buyer). Buyer acquired for future office/retail development. Site is currently cleared and fenced; no evidence of construction or marketing.
	Near SE Land Sales - Residential												
11	Jenkins Row Condominiums 1391 Pennsylvania Avenue, SE Square 1045, Lots 132-137,834-839	10/12/2004	$16,500,000	2.11	92,040	$179.27	Residential Dev. C-2-B 3.5	$51.22	Improved at sale, demo required Corner location	Assemblage of 2 parcels	Jenkins Row LP (JPI)	Father Flannigan's Boy's Home and Elveau Three, LLC	Situated at the SW corner of Pennsylvania & Potomac Avenues, opposite the Potomac Ave Metro station. Construction is currently underway on this 5-story mixed-use project, to include 247 luxury condos, 5,000 SF of ground floor retail, a 47,000 SF grocery store, and surface & subterranean parking. Building to approximately 3.5 FAR. Resale of Comp. 13.
12	Capitol Hill Tower 148 L Street, SE Square 741	7/17/2000 7/14/2000	$4,092,500	0.45	19,746	$207.26	Residential dev. C-3-C 6.5	$31.89	Improved at sale, demo required Corner location	Assemblage	NJA Development Partners (Valhal Co) LP	Mary & Daniel Loughran Fndtn. And New Jersey Avenue LP	Situated at the SE corner of New Jersey Avenue and K Street, extending to 2nd and M Streets. Purchased for development with a 13-story, 344-unit apartment building and an adjacent Marriott Courtyard. Currently under construction, delivery scheduled for Spring 2006. Developer of adjacent property indicated that buyer declined a bond inducement from the city, in order to construct market rate apartments. This could not be confirmed with the buyer.
13	1343-1349 Pennsylvania Avenue, SE 1320 Potomac Avenue, SE Square 1045, Lots 127, 128, 817, 818, 828, 836, 837, 840, 841	2/3/2000	$8,119,000	2.03	88,280	$91.97	Boys' home C-2-B 3.5	$26.28	Improved, w/ three 2-story bldgs., demo required	Assemblage	Father Flannigan's Boys' Home	Boel, LLC Potomac Capitol Hill Corporation	Situated on the south side of Pennsylvania Ave., between 13th and 14th Streets, near the Potomac Avenue Metro station. A Boys Town home for boys was proposed; however, the project was never completed due to community opposition.

XI. Income Capitalization Approach

In order to properly analyze the contributory value of the improvements on the Private Property, we have considered their potential for generating income during a projected three-year holding period. This period represents our previously-estimated development horizon, or the time at which redevelopment of the Private Property is projected to become financially feasible.

We were not provided with any leases that may be in place for land or improvements on the Private Property. As a result, a leased fee value estimate could not be provided, despite the probable existence of leases encumbering the Private Property. It should be noted that in cases where the Private Property is encumbered by above market leases, the District will most likely incur additional costs to buy out the leasehold interest in excess of fair market rent. Furthermore, determination of contributory value of any leasehold interests is beyond the scope of this acquisition cost study. Additionally, the area of any building improvements has been derived from public records, and is assumed to be accurate.

The Income Capitalization Approach is based on the premise that the value of a property is represented by the present worth of anticipated future benefits to be derived from ownership. The most common method relied upon by the marketplace for converting a stream of expected income into value is a technique known as discounted cash flow (DCF) analysis. Discounted cash flow analysis involves the projection of revenue and expenses over an estimated holding period. Then the resulting cash flows, and the estimated future value of the reversion, are discounted at an appropriate rate to arrive at a total present value estimate. In the case of the Private Property, there will be no estimate of reversion value, as the exiting improvements are projected to have reached the end of their economic life at this time.

We have performed an analysis of rent comparables and selected an appropriate market rental rate for each property type situated on the Private Property, including residential, commercial and industrial. It was necessary to estimate four rental rates for industrial properties on the site, due to the wide range in building sizes. After applying an estimated administrative expense of 3%, the net income generated for each improved property was projected for a three-year period. The cash flows are then discounted at a discount rate of 11%, which we deemed appropriate, in order to estimate their present value.

District of Columbia Ballpark Development Project
Land Acquisition Cost Summary

Unit	Square	Lot	Property Address	Land (SF)	Bldg (SF)	Building Type	Current Use	Market Value
1	702	106	7 N St SE	8,530		Vacant Land	Vacant Land	$1,169,210
	702	807	N St SE					
	702	808	N St SE					
	702	826	1300 South Capitol St SE					
	702	859	South Capitol St SE					
	702	860	9 N St SE					
	702	861	11 N St SE					
	702	866	South Capitol St SE					
	702	869	N St SE					
2	702	126	1352 South Capitol St. SE	4,376	3,639	Office/Street Level Retail	Unknown	524,020
3	702	852	South Capitol St SE	1,682		Vacant Land	Vacant Land	228,438
4	702	853	South Capitol St SE	1,331		Vacant Land	Vacant Land	180,127
5	702	127	1345 Half St SE	20,070	19,867	Industrial	Night Club	2,458,746
6	702	804	31 N St SE	8,857		Vacant Land	Tow Truck Impound Lot	1,202,255
	702	805	N St SE					
	702	845	25-29 N St SE					
7	702	841	20 O St SE	10,001	14,960	Industrial Warehouse	"Bath House Chain"	1,109,921
8	702	846	1342 South Capitol St SE	17,994	2,944	Aamco	Transmission Repair	2,335,099
9	702	851	South Capitol St SE	3,013		Vacant Land	Vacant Land	449,934
	702	857	South Capitol St SE					
10	702	858	South Capitol St SE	1,345		Vacant Land	Vacant Land	180,281
11	702	854	South Capitol St SE	1,331		Vacant Land	Vacant Land	178,354
12	702	856	South Capitol St SE	1,331		Vacant Land	Vacant Land	178,354
13	702	855	South Capitol St SE	12,721		Vacant Land	Tow Truck Impound Lot	1,901,189
	702	868	South Capitol St SE					
14	702	37	21 N St SE	5,799	3,500	Single-family Residential & Vacant Land	Single-family Residential & Vacant Land	695,716
	702	38						
	702	39						
15	702	104	3 N St SE	3,072		Vacant Land	Vacant Land	417,982
	702	105	5 N St SE					
	702	867	N St SE					
16	702	806	Half St SE	1,400		Vacant Land	Vacant Land	178,541
17	702	862	13 N St SE	6,371	3,500	Single-family Residential	Single-family Residential	210,159
18	702	863	15 N St SE			Single-family Residential	Single-family Residential	210,159
19	702	864	17 N St SE			Single-family Residential	Single-family Residential	210,159
20	702	865	19 N St SE			Single-family Residential	Single-family Residential	210,159
21	702	79	1315 Half St SE	23,088		Vacant Land	Tow Truck Impound Lot or Junkyard	2,995,967
	702	80	1315 Half St SE					
	702	81	1315 Half St SE					
	702	82	1315 Half St SE					
	702	83	1315 Half St SE					
	702	84	1315 Half St SE					
	702	85	1315 Half St SE					
	702	836	1315-1317 Half St SE					
	702	838	1315 Half St SE					
22	702	870	Half St SE	36,752	15,595	Industrial Warehouse w/ Office	Large truck repair shop	4,407,569
	702	871	1331 Half St SE					
23	703	5	1338 Half St SE	9,588	16,591	Industrial Warehouse	Artist Studio	999,363
24	703	6	Half St SE	19,176	25,344	Industrial Warehouse	Unknown	2,255,579
	703	7	1326 Half St SE					
25	703	8	1318 Half St SE	9,588	9,340	Industrial Warehouse	Car Repair Shop	1,203,681
26	703	53	60-80 O St SE	67,119		Paved Parking Lot	Paved Parking Lot	9,071,213
27	703	54	1315 1st St SE	53,418	17,329	Industrial Warehouse	Garbage Transition Sub-station	7,100,161
28	703	819	SE	24,651	15,601	Industrial Warehouse	Appears vacant	3,382,914
	703	821	65 N St SE					
	703	822	65 N St SE					
29	704	11	1400-1430 South Capitol St SE	88,595	81,496	Industrial Warehouse	Warehouse/office	10,204,967
30	705	15	60 P St SE	88,100		Asphalt Plant	Asphalt Plant	9,865,002
31	706	802	South Capitol St SE	3,233		Vacant Land	Vacant Land	298,213
32	706	806	31-41 P St SE	57,567	28,176	Industrial Warehouse	Warehouse/office	6,264,294
	706	807	24 Potomac Ave SE					
	706	808	South Capitol St SE					
33	706	809	1522 South Capitol St SE	12,513		Vacant Land	Vacant Land	1,404,871

OVERALL SUMMARY - Land Acquisition Cost Estimate	
Market Value:	$73,682,599
Add: Condemnation/Legal Cost Estimate	2,500,000
Add: Business & Residence Relocation Cost Estimate	950,000
Total Land Acquisition Cost Estimate	$77,132,599
Total Land Acquisition Cost Estimate (Rounded)	**$77,000,000**

XII. Condemnation Cost Study

Should the District of Columbia be unable to negotiate with the current owners of the economic units that comprise the footprint of the proposed baseball stadium, additional costs will be incurred in condemnation proceedings. Depending on the level of contention imposed by the owners of the Private Property, condemnation will occur either in binding arbitration at the District Commissioner's level, or escalate to appeal and litigation to be held in the Superior Court of the District of Columbia. The numbers of these proceedings that occur, as well as their cost, are difficult to quantify due to numerous indeterminable factors relative to each specific case. Included in these factors is the extent to which the current land owners desire to retain ownership in their land, and the extent to which the owners' current business or use is damaged. Although these costs can vary drastically from one project to the next, we have utilized the best available data to estimate the average expected cost for these proceedings.

To aid in our analysis, we studied the condemnation statistics collected by the Federal Highway Administration (FHA) from every state in the United States between 1995 and 2002. We also interviewed representatives from the Real Estate Department of WMATA in order to understand current and historical results that have occurred specifically within the Metropolitan Washington area.

The FHA statistics reveal that 10% to 15% of all the parcels taken by the State authorities in a given year for transportation purposes end up requiring some level of condemnation proceedings. In addition, analysis of similar statistics for the states of Virginia and Maryland revealed a trend of approximately 15% of acquired parcels being obtained via condemnation proceedings.

The most recent WMATA project was a 3.1 mile extension of the Blue Line from Addison to Largo. The negotiations for the land took place a few years ago, and the project was completed in 2004. The recent Blue Line project required WMATA to obtain 50 parcels of land, of which 25% were resolved through condemnation. According to representatives in the Real Estate Department of WMATA, this condemnation rate was slightly higher than normal due to an urgency issue that minimized the typical negotiation time table. The typical condemnation rate for WMATA is 10% to 15%. The negotiation rate is typically 15% above the market value to avoid condemnation.

Assuming the upper end of the WMATA range (15%) and applying it to the "as-is" market value of roughly $74,000,000 for the Private Property, approximately $11,250,000 of real property will likely be contested in court. Applying the implied rates WMATA historically paid in condemnation cases (10% - 25%), we estimate that the total cost of condemnation that will be incurred to be between $1,110,000 and $2,775,000. Statistically, given the information provided by the FHA and WMATA, the range of condemnation/legal costs appears to be reasonable. Based on the political sensitivity and public interest of the proposed ballpark observed during this study, we cautiously estimate the condemnation and legal costs to be at the upper end of the range of costs implied by the statistics studied from the FHA and WMATA. For the purpose of this study, we estimate condemnation/legal cost to be **$2,500,000**.

XIII. Business Relocation Cost Study

One of the costs related to the acquisition of the Private Property is the relocation cost incurred by the legally operated businesses that currently exist on the Private Property. According to Chapter 22 of title 10 of the District of Columbia Municipal Regulations and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, the District is liable for certain reasonable relocation expenses incurred by businesses as a result of the condemnation of their land. In addition, the District is required to make a reasonable effort to help businesses identify potential locations for their business. Consequently, we will begin by looking at the current uses of the property and where these properties can be legally relocated.

Of the 33 economic units that comprise the Private Property portion of the PBSS, there are a total of 10 different categories of uses. These uses include vehicle maintenance and repair shops, art studios, neighborhood grocery/convenience stores, warehouses, a waste transfer facility, an asphalt plant, and several entertainment-oriented businesses. Based on current zoning regulations, we have compiled a chart (Figure 1) that shows which zoning categories will permit each of the uses present on the site.

Figure 1

#	Use	Zoning in which activity is allowed: Matter of Right	Zoning in which activity is allowed: Requires Approval of Zoning Board
1	Vacant Land	n/a	n/a
2	Entertainment - Oriented Business	n/a	C-3-C (§744), C-4 (§754)
3	Single-family Residential	R-1 (§201.1), R-2 (§300.3), R-3 (§320.3), R-4 (§330.5), R-5 (§350.4), SP (§501.1), CR (§601.1)	n/a
4	Car/Truck Repair Shop	C-M[2] (§801.7), M (§821.2)	CR[9] (§614.1)
5	Tow Truck Impound Lot	C-M[2] (§801.7), M (§821.2)	n/a
6	Parking Lot	C-1[3] (§701.6), C-2[3] (§721.1), C-3[3] (§741.3), C-4[3] (§751.2), C-M[3] (§801.2), M[3] (§821.2)	C-1[5] (§708.1), C-2[5] (§730.1), C-3[5] (§743.2), C-4[5] (§753.1), C-M[6] (§803.1), M[6] (§824.1)
7	Asphalt Plant	M[4] (§821.3)	n/a
8	Solid Waste Transfer Station	n/a	C-M[2] (§802.4), M (§822.3)
9	Warehouse	C-M[2] (§801.7), M (§821.2)	CR[8] (§611.1)
10	Art Studio	W (§901.1), CR (§601.1), SP[7] (§501.2), C-M[2] (§801.5), M (§821.2)	n/a

1. Further restrictions exist in terms of density in this zoning designation (i.e. C-2-A, C-2-B, and C-2-C)
2. Further restrictions exist in terms of density and height in this zoning designation (i.e. C-M-1, C-M-2, and C-M-3)
3. Parking lots are subject to the requirements of chapter 23 of the zoning code
4. Asphalt plants are subject to the standards of external effects in §825 of the zoning code

5. Accessory parking spaces can be approved under the provisions of §3104 and subject to §510 of the zoning code
6. Accessory parking spaces can be approved under the provisions of §3104 and §213.3 - §213.5
7. An artist studio is allowed in a special purpose district but subject to requirements in §501.2 of the zoning code
8. Warehouses may exist in a CR district if approved as an exception under §3104, but subject to requirements in §610
9. Car repair shops may exist in a CR district if approved as an exception under §3104, but subject to requirements in §614

Some of the uses are allowed in a particular zoning district as a matter of right. Essentially, this means that the zoning board has already given a blanket ruling that allows the particular use in that zone. However, some of the blanket waivers are conditional in that they restrict noise or set forth regulations, which essentially dictate that the use cannot create an adverse effect on the character of the neighborhood.

On the other hand, some of the uses are only allowed to exist in a particular zoning district if they are approved individually by the zoning board. In the case of the Private Property, uses that fall exclusively in this category are entertainment-oriented businesses and solid waste transfer stations. For these businesses, there is a long list of regulations that must be met in order to be considered for approval. Among other things, the business must meet restrictions concerning proximity to schools, churches, residences and other sensitive areas.

In the event a comparable alternate site within current zoning boundaries in the District is not available to relocate a given business, we have assumed based on the Client's statements, the District will work with business operators to find acceptable locations. Based on this assumption, and the fact that determination of business enterprise value at the Private Properties is beyond the scope of this Property Cost Study, we have further assumed that an acceptable alternative location can be found for each of the uses among the Private Property. The additional damages to buy out a business have been omitted from the analysis.

In addition to helping businesses determine where they can relocate, the District is also responsible for paying the reasonable expenses incurred by the business during the moving process. Those expenses that are eligible for reimbursement fall into ten general categories:

1. Transportation not exceeding a distance of fifty (50) miles from the site of displacement, except when the Relocation Office determines that relocation beyond that distance is justified;
2. Packing and unpacking, and crating and uncrating personal property;
3. Obtaining bids or estimates for transportation, packing, and crating, including advertising for those bids;
4. Storage of personal property, if deemed necessary by the Relocation Office, for a period generally not exceeding twelve months;
5. Insuring personal property while in storage or transit;
6. Disconnecting, dismantling, or removing and reassembling, reconnecting, and reinstalling machinery, equipment, or other personal property;
7. Replacing personal property that is not insured and is either lost, stolen, or damaged in the process of moving; and
8. Replacing an item of personal property that is used in connection with a business which is not moved, but is replaced with a comparable item.

Reimbursement shall not exceed the replacement cost less proceeds received from the sale of the item or the estimated cost of moving, whichever is less.

9. Reimbursement for up to $2,500 for expenses related to searching for a new location for the business.

10. Reimbursement for any license, permit, fees or certification cost the business incurs at the new location in an amount not to exceed the value of the remaining useful life of such expenditures at the condemned location.

In the event that a business is eligible to receive relocation benefits, yet chooses not to relocate any portion of their personal property, the District is still liable to provide monetary assistance to the business. However, this financial liability is limited to the cost that would be incurred should the business have chosen to relocate. In addition, the business is required to make a good faith effort to sell the personal property that they choose not to move.

Small businesses, which are defined as those businesses with less than 500 employees working at the site being condemned, are also eligible for up to $10,000 dollars in qualified reestablishment expenses. These expenses include:

1. Repairs or improvements to the replacement property to bring it up to code

2. Modifications done to the replacement property to make it suitable for the business to conduct its business

3. Construction or installation of signs to advertise the business

4. Cosmetic enhancements to soiled or worn surfaces at the replacement property

5. Advertisement of the business' new location

6. Estimated increased cost of maintaining the replacement property for the first two years of operation. These costs include increased lease payments, real estate taxes, insurance cost or utility charges.

Finally, a business may choose to forgo their rights to receive moving and reestablishment expense reimbursements for qualified expenses and, instead, receive a lump sum payment. However, in order to elect this option, the business must prove that (1) relocation will significantly reduce its customer base, (2) it is currently operating only out of the facility that is being condemned, and (3) that it makes a significant contribution to the owner's income. If all three of these conditions are met, the business is eligible to receive financial compensation between $1,000 - $20,000 dollars; the actual amount is dependent on a formula that involves the income they have produced over the past two years.

Relocating Residences

Similar to businesses, residences that are condemned require compensation for relocation expenses to be provided for those being displaced. The rules governing the scope and reasonableness of reimbursable relocation expenses are the same as with a business, except that a condemned residence is not eligible for any reestablishment expenses or location search cost. However, a resident that is relocated is entitled to reimbursement of up to $22,500 for the increased cost of housing at their new location, including increased interest cost and fees incidental to the procurement of the new residence. Another difference is that, should a resident choose to forgo their rights to receive moving expense reimbursements, they can elect to receive a lump sum payment which ranges from $225 - $1,050 dollars and is based on the number of rooms in the residence and whether or not it contains furniture.

Summary

Due to the unique set of circumstances surrounding each of the business and residential occupants, it is impossible to foresee the exact cost that will be incurred in every one of their moves. Variables that can cause sharp variations in relocation cost include insurance requirements, quantity of personal property to be moved, and the availability of comparable replacement property both in terms of quality and cost. However, given the legal parameters and an estimate of those costs for which there is no cap, a range of potential costs was established. Within this range, we have estimated the probable average costs to be incurred, and developed an estimate of the total relocation cost to be incurred by the District. A summary of these findings can be found in Figure 2 below.

The relocation cost for the asphalt plant was the most complex in terms of estimating relocation costs. Due to the complex variables that differentiate one asphalt plant from another, no data was found that directly correlated to this particular plant. While we were able to find data that revealed a minimum cost of $150,000 dollars to relocate the plant, additional data showed that the cost could be several hundred thousand dollars higher. The cost we have concluded to is within the range of relocation cost we found and three times higher than the minimum cost.

Figure 2

	Per Occupant/Business		Expected Cost	
Business Relocation:	Low	High	Per Unit	Total
New Location Search	-	$ 2,500	$ 2,500	$ 50,000
Re-establishment Expenses	-	10,000	10,000	200,000
Commercial Movers @ $200/hour	1,600	6,400	4,800	91,200
Miscellaneous	1,000	5,000	4,000	80,000
Cost per Business	$ 2,600	$23,900	$21,300	$421,200
Asphalt Plant Relocation	150,000	1,300,000	450,000	450,000
Residential Relocation:	Low	High	Per Unit	Total
Commercial Movers @ $150/hour	$ 600	$ 1,800	$ 1,500	$ 7,500
Replacement Housing Assistance	1,000	22,500	12,500	75,000
Miscellaneous	1,000	5,000	2,500	12,500
	$2,600	$29,300	$16,500	$82,500
Business & Residential Relocation Total				**$953,700**

Clearly, relocation costs are based on multiple variables that are beyond the District's control in many instances. It is therefore recommended that the variables discussed herein be carefully studied and considered by the District throughout the acquisition process to mitigate relocation costs as much as reasonably possible.

XIV. Sources of Funding for Soil Remediation

According to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), the term "Brownfield" means real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Should any portion of the PBSS meet the above criteria to be labeled a Brownfield, the District of Columbia would have at its disposal a variety of programs that provide financial assistance for the remediation of this land. The programs are funded by the Federal government and administered by the Environmental Protection Agency (EPA).

One such program provides grants for the assessment of the extent of contamination on the site. While the grant is traditionally limited to $200,000, an applicant has the right to petition for additional assistance, but under no circumstances will the total grant exceed $700,000. In addition to this assessment grant, a clean-up grant exists that has a maximum payout of $200,000 per site up to a total of five sites. However, to receive this grant, the recipient must participate in at least 20% of the cost of remediation.

In addition to these grants, the EPA administers a loan program known as the Brownfields Cleanup Revolving Loan Fund (BCRLF). This revolving loan fund is available to states and political subdivisions who wish to provide low interest loans to bring about the cleanup of Brownfields in their jurisdiction. An initial grant under this program could be up to $1,000,000, of which 60% is required to be used to establish a revolving loan fund. As with the previously mentioned clean-up grant, this loan program requires the borrower to provide for at least 20% of the cost of remediation.

XV. Certification

Standard Rule 5-3 of the Standards of Professional Appraisal Practice requires each property appraisal consulting report to be certified. In compliance therewith, the undersigned certifies that to the best of his knowledge and belief;

1. The statements of fact contained in this report, and upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and special/limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved with this assignment.

4. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.

5. The undersigned have made personal inspections of the subject property during the course of completing the appraisal consulting assignment.

6. No one provided significant professional assistance in preparing the analyses and conclusions set forth in this report. Two subcontractors were commissioned to assist with market research: J. Eric Moore of New Market Real Estate Group, and Wayne MacDonald of The MacDonald Group. These appraisers did not assist in preparing the analyses or estimating the conclusions set forth in this report.

7. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP).

8. Disclosure of the contents of this report is governed by the Regulations and By-Laws of the Appraisal Institute. In furtherance of the aims of the Institute to members, the undersigned may be required to submit to authorized committees of said Institute copies of this report and any subsequent changes or modifications thereof.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. As of the date of this report, James W. Wright, MAI and John B. Solomon, MAI have completed the requirements of the continuing education program of the Appraisal Institute.

James W. Wright, MAI
Director

John B. Solomon, MAI, CCIM
Senior Manager

District of Columbia
General Appraiser License
#GA10833

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Manager

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#GA10542

Laurie M. Smith
Manager

Trey Weaver
Associate

XVI. Statement of General Assumptions and Limiting Conditions

This appraisal consulting assignment has been prepared pursuant to the following general assumptions and limiting conditions:

1. We assume no responsibility for the legal description or matters including legal or title considerations. Title to the subject assets, properties, or business interests is assumed to be good and marketable unless otherwise stated.

2. The subject assets, properties, or business interests are valued free and clear of any or all liens or encumbrances unless otherwise stated.

3. We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests.

4. The information furnished by others, upon which all or portions of this valuation are based, is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.

5. We assume that there is full compliance with all applicable Federal, state, and local regulations and laws unless noncompliance is stated, defined, and considered in the valuation report.

6. We assume that all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any local, state, or national government, private entity or organization have been, or can readily be, obtained or renewed for any use on which the valuation opinion contained in this report is based.

7. Possession of this valuation opinion report, or a copy thereof, does not carry with it the right of publication or distribution to or use by any third party. It may not be used for any purpose by any person other than the intended users identified without our prior written consent. Use of this analysis by any third party is not permitted. Any access to or use by a third party is at the sole risk of that party who, without limitation, agrees to hold Deloitte & Touche LLP harmless from all claims, liability and expenses resulting from access or use by the third party. Access by any third party does not create privity between Deloitte & Touche LLP and any third party.

8. We, by reason of this engagement, are not required to furnish additional valuation services, provide testimony, or to be in attendance in court with reference to the assets, properties, or business interests in question unless mutually agreed upon arrangements have been previously made.

9. To our best knowledge and belief, this analysis has been prepared in conformity with, and is subject to, the requirements of the code of professional ethics and standards of professional conduct of the professional appraisal organizations of which we are members.

10. No part of the contents of this report (especially any conclusions of value, the identity of the valuation consultants, or the firm with which the consultants are associated) may be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and in the sole discretion of Deloitte & Touche LLP.

11. The valuation analyses contained herein are valid only as of the indicated date and for the indicated purpose.

12. In performing the analysis contained in this report, we have relied, where appropriate, on written information provided to us by the client or those acting on the client's behalf and have incorporated, to the extent we considered it reasonable to do so, such information into our analysis. As part of this appraisal consulting assignment we have not audited these data. Therefore, we issue no warranty or other form of assurance regarding their accuracy.

13. This report may contain forward-looking financial estimates or projections (the "Estimates"). Based on certain factors, actual results could differ materially from the Estimates, which are based on historical or current information that relates to future operations, strategies, financial results or other developments. In particular, opinions containing words such as "will," "expect," "anticipate," "believe," "goal," "objective" or similar words generally qualify as forward-looking, as the context requires. Some of the factors, among others, that could cause these actual results to differ include regulatory developments, technological changes, competitive conditions, new products, general economic conditions, changes in tax laws, adequacy of reserves, credit and other risks associated with the interests included in the valuation, or significant changes in interest rates and fluctuations in foreign currency exchange rates which, in each case could not be anticipated as of the date of this report.

14. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the valuation date hereof.

15. Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.

16. This appraisal consulting report cannot be included, or referred to, in any Securities and Exchange Commission filings or other public documents.

17. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.